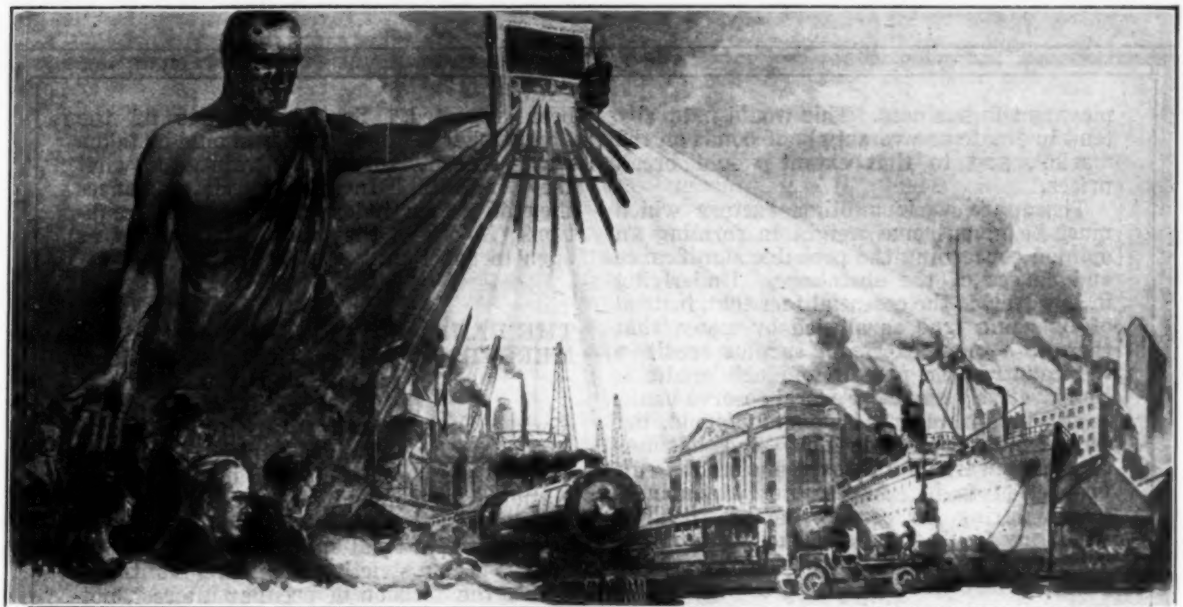


The Outlook

Tariff and the Stock Market—What Does the Growth of Savings Deposits Mean?—French Plan for German Finance—Business and the Market

TARIFF MANIPULATIONS

AN influence on the securities market whose importance can hardly be overestimated is to be seen in the preparations that are being made in Washington to provide for extensive reconsideration and perhaps revision of tariff rates. The Tariff Commission has been entrusted by the President with the administration of the so-called "flexible rate provisions" of the new law, and has issued an elaborate set of instructions dealing with the conditions under which applications for changes may be made to it. These applications may or may not give rise to recommendations to the President for the use of his executive power under the act in changing duties. Whether they do so or not, however, the fact remains that discussion of the subject and prospective alterations will inevitably have the effect of disturbing concerns engaged in importing and exporting.

The influence of the tariff on securities prices during the past summer was unquestionably very much greater than was ordinarily admitted or supposed, and the continuation of uncertainty will carry further this kind of disturbance to the detriment to business. It may turn out that the proceedings are largely without results, and in consequence their effect may prove to be relatively trifling. This, in fact, is quite likely to be the case. Some time, however, will be needed before the fact can be demonstrated that this is to be the drift of affairs, and in the meanwhile a new source of trouble is to be anticipated by those who are engaged in forecasting market values. The situation is keenly understood by the larger manufacturers who are greatly influenced by changes in rates on their raw material; and their representatives are already taking the position that constant discussion of duties is likely to exert a disturbing effect on the general course of their business.

* * *

THE SHRINKAGE IN BONDS

ONE of the noteworthy developments of the past several weeks is seen in the shrinkage that has occurred in bond values, and particularly in the current prices of liberty bonds which have receded in some cases as much as 3 points. Coming as it does immediately after the successful flotation of the new Treasury loan, with oversubscriptions said to be treble its nominal amount, and an actual allotment of bonds 50 per cent in excess of that nominal amount, this falling off in price is particularly noteworthy. Many explanations are currently offered for it, most of them with no doubt a certain element of truth. Among them is the fact that not a few banks and business houses which have kept their funds invested in bonds during the upward movement when commercial credit was slack, are now selling out, taking profits and carrying the funds to active em-

ployment in business. This would naturally tend to create an oversupply of bonds on the market, and to that extent would break prices.

There are various other factors which must be given some weight in forming an opinion concerning the probable significance and causes of the shrinkage. Underlying it, however, is the essential fact that, instead of its being true as alleged by many, that there is a great excess of surplus credit in the country, the margin of such credit is comparatively small. Federal reserve banks have an unprecedented amount of gold, but they cannot (and do not) find business enough to warrant a safe expansion of credit proportion to it. As commercial business grows during the coming months, it must withdraw funds to no small extent from investment occupation, with the result that a readjustment between commercial and investment rates will take place. Both are headed for higher levels, which means that the capitalized value of outstanding bonds—in other words, their quotation—is likely to tend downward for some time to come.

* * *

GROWTH OF SAVINGS DEPOSITS

COMPTROLLER OF THE CURRENCY CRISSINGER in a recent statement calls attention to the marked growth in savings deposits, especially as seen in the time deposits and saving deposits of national banks which, according to him, have increased something like 1 billion dollars in the past three years. From this he augurs a great development of thrift and saving in the United States, accompanied by an increasing measure of prosperity.

There is undoubtedly something in what the Comptroller says, yet it should be borne in mind as an offset that prices are now about 60 per cent higher than they were in 1913 and that since 1919 they have undergone an advance followed by recession and a renewed advance. A dollar in the savings bank does not mean the same thing that it meant five or ten years ago. Comparison of such figures are sound and safe only when they are based on identical price levels, and considerable allowance must be made for the fact that a given volume of savings today by no means signifies the same provision for the future that it signified in former years.

There has been, however, a substantial growth of prosperity in this country within recent months, as the steady expansion of the figures during the years 1921-22 clearly shows. It should be added that in some foreign countries, where the presence of prosperity is at least open to doubt, very substantial growth in savings deposits has been reported. So the findings of the Comptroller of the Currency should be taken with some measure of restraint, for what they indicate. In certain circumstances they afford an index of prosperous conditions; in others they must be regarded as open to question.

* * *

THE BANK MERGERS

DECISION on the part of the Irving National Bank and the Columbia Trust Co., both of New York, to unite in an institution to be known as the Irving Columbia Bank & Trust Co., takes the Irving National Bank out of the National system and into the banking system of the State of New York. The size of the Irving National and the fact that it has always been a strictly commercial institution makes the decision of peculiar interest, notwithstanding the official announcement that the merged institution intends to continue as a member of the Federal Reserve System. The fact remains that the step thus taken by the Irving is undoubtedly under consideration on the part of various other banks and is quite likely to be taken by a number. It would also seem that there are a good many which are contemplating the step of withdrawing from the Federal Reserve System.

Of late, withdrawals from that system have been as numerous as admissions, and there has been a growth of dissatisfaction in various quarters. An assigned reason for the change in the policy of the Irving is its inability to establish branches under the national bank act; and this although it had already acquired several branches through mergers in comparatively recent times. On the other hand, the progress of various large banks located in other cities, in the establishment of branches and the development of some New York banks along the same line, points to the necessity of this form of competition on the part of some classes of large national banks which are desirous of maintaining their position against the inroads of state institutions.

Undoubtedly, conditions both in the national system and also in the Federal reserve system are not stable, but tendencies are at work which are making (to some extent, at least) toward the disintegration of both. There is an opportunity for considerable statesmanship in the reshaping of our banking laws.

* * *

SHIP SUBSIDIES AND TAXES

CONGRESS is now once more on the verge of meeting, with the election over and with a definite prospect of having to decide whether it will or will not pass a ship-subsidy bill. This

the President is disposed to demand, and this a large element in Congress regards as unwise. So certain were the members that public opinion would not warrant a ship-subsidy enactment, that they refused to put through the bill even when it was urged upon them by the Chief Executive some months ago. There is no difference between the bill as it stands today and as it stood at the time when Congress previously rejected it. Must it not then seem like a piece of gross insincerity to consider even the adoption of such a measure at a time when an election has just been won upon a record which involved refusal to pass this measure? Consistency and honesty are not, however, virtues which rank first in the congressional dictionary and appeal must therefore be made to more practical considerations.

There is now a prospective deficit of 650 millions for this fiscal year. President Harding announces the deficit and regrets it, but neither he nor his cabinet officers are in position to suggest anything definite as a means of overcoming it. On the contrary, only vague promises of economy, or doubtful forecasts of the future are afforded. In these circumstances, Congress must definitely contemplate the necessity of imposing more taxes if it proceeds with the plan of enacting subsidy legislation. The case is exactly the same as that which existed with the bonus, except that, whereas the subsidy is not likely to cost over 200 millions the first year, the bonus might have run up to many times that, although its advocates contended that it would be a good deal less than 100 millions the first year. The principle is much the same in both cases, no matter what the amount may be, and the plain teaching of our present Federal Treasury conditions is entirely opposed to any such action.

* * *

FRANCE AND GERMAN FINANCE

THE latest phase of the German situation is seen in the plan put forward by French authorities for a control of German finances which should include power to regulate taxation, debt, the budgets of the several German States, Federal expenditure in the broad sense, and most important of all, the conditions under which the Reichsbank discounts the obligations of the Government and issues its own notes. Insofar as the proposed plan aims at the restoration of a sounder condition in German finance and better management thereof, it would undoubtedly produce a much more satisfactory state of things than has prevailed heretofore. It could hardly produce a worse one.

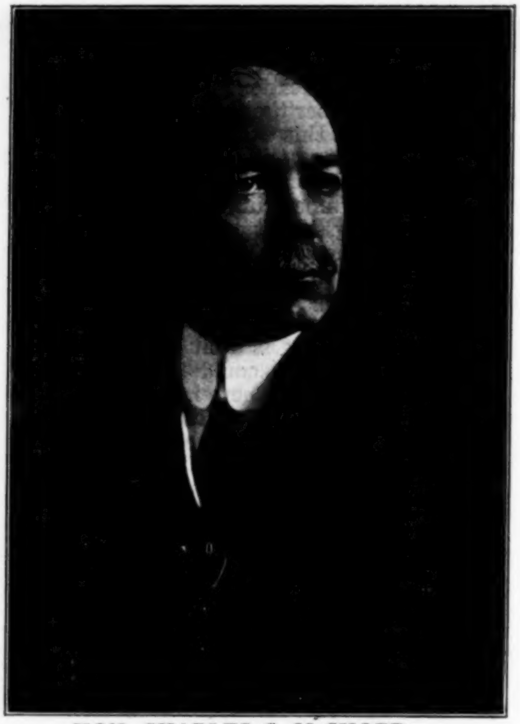
An important question, however, is seen in the doubt whether the Germans will finally consent to accept this extreme type of Allied control, amounting as it would practically to a general protectorate, in fact, almost to a provincial government under Allied management. Assuming that it could be put into effect, however, the question would still remain whether any such plan would be likely to result in enabling Germany to pay larger reparations. The thought of those who urge it undoubtedly is that much heavier reparations payments could be obtained in that way. As to this, there is little supporting evidence. On the contrary, Mr. McKenna, in his address before the American Bankers' Association, made it plain that, in his opinion, the utmost that could be expected from Germany or any other country would be the total amount of its existing foreign balances, in addition to such subsequent sums as might be derived from annual payments made out of surpluses of exports over imports as time went on. This implies, of course, that the indispensable measure for the Allies to adopt is that which they will probably not adopt, a measure or series of measures which would permit the enlargement of German exports.

* * *

BUSINESS AND THE MARKET

SLIGHT recessions in various kinds of business during the past week or two are insufficient thus far to cause any particular change in the broader forecasts which have already been made with respect to the outlook for business improvement during the autumn, but they are enough to show that those who adopt a conservative attitude with respect to stock-market values are acting wisely. Forecasters who have insisted upon the probability of prompt and great advances in stock values during the next few months have already found themselves disappointed, as illustrated by the sharp recessions of the market since the beginning of October. The situation now in sight tends to emphasize this necessity for caution and should result in serving a still further warning upon those who have been inclined to look too optimistically toward the prospects of stock gains based upon further large business advances. As already often pointed out, the market had, at the opening of the current autumn, quite freely anticipated all business improvement which was then definitely in sight and could justify itself in further advance only on the theory that further enlargement and expansion of trade was certain to occur.

Monday, November 6, 1922.



HON. CHARLES C. McCHORD

IN the beginning, the country was developed by the railroads for the railroads but the feeling now is that they should have been developed for the country. Many thoughtful observers are therefore asking whether the time has not come for the existing railway system and administration to be remolded for the benefit of the country, even if in the end that would regrettably mean Government ownership and virtual elimination of the railways as private money-making enterprises.

Is the Country Over-Railroaded?

An Inside Picture of the Underlying Railroad Situation—Why Remodeling of Existing Railway System Is Inevitable

Impressions of CHAIRMAN McCHORD Of the Interstate Commerce Commission

ARE the railways of America to be disposed of in the future merely as incidents to the general well-being and progress of the country, and without regard to them as economic units expected to stand on their own feet?

That is the view that is coming to be taken by legislators and government officials who have come into contact with the railway problem. The railways, they say, built up the United States as it stands to-day entirely for railway ends.

For fifty years the railways exploited the country for selfish purposes, say the prophets of a new dispensation, incidentally performing an incalculable amount of public service but at the same time deforming and malforming national development. They were built and operated entirely for private gain. Now the time has come when the public must work its will on the railways solely in the interests of the general good. If this reformation can be made without fiscal injury to the railroads, so much the better—but it must be done. Transportation must be made the servant instead of the master of production and distribution.

The major indictment brought against the railways is that in pursuit of the long-haul traffic they have overdeveloped the proper role of transportation in national economic life. By hauling raw material hundreds or thousands of miles to manufacturing centers far removed from, and then hauling the finished goods back to, the original sources they have created an enormous railway traffic that is economically useless. It is not only wasteful *per se* but has become an oppressive charge on all of the people. The transportation item in the cost of living has become thereby unduly large to the injury of other factors—all of which must share the burden of useless hauling back and forth primarily for the purpose of making railway dividends instead of serving the normal requirements of a symmetrically developed country.

The country is pictured as having been developed by the railroads for the railroads instead of the railroads being developed for the country. Manufacturing centers have been deliberately built up remote from sources of material and also from markets for their products. Vast areas of agricultural lands in the West were thus brought under cultivation before their time; while farms were forced into abandonment in the East, and great cities were built up in the midst of decaying countrysides through which trains of enormous tonnage haul the sustenance of their populations and the materials of their activities from remote distances. From these favored cities the finished goods move back again on the coveted long haul to ultimate consumers at points of origin of the raw materials well adapted to their manufacture.

This has been good business for the railways but poor business for the country. Now comes the time when service to the country at large must overshadow transportation profits. Already the railways feel the pinch of the new age. In some sections they are beyond hope as servants of private profit.

Now, to the extent to which the railways have created an artificial situation they must suffer in the predicted process of readjustment. They have overcentralized the country industrially and commercially for their own ends. The country requires now to be decentralized and those railway systems that are founded on centralization will have to suffer.

Among those who believe that the railway systems must be treated in the future as a means rather than an end is

Chairman C. C. McChord of the Interstate Commerce Commission, who is an earnest advocate of commercial decentralization. By reason of his semi-judicial position with relation to the railways, Mr. McChord has made it a rule to decline interviews, and he rarely makes any public statement relating to railway problems that is not in the ordinary course of the discharge of his duties. However, some time since, at the solicitation of Senator Duncan U. Fletcher of Florida, Mr. McChord authorized the official publication of a statement, which happened to be eclipsed at the time by momentous occurrences, and he directed attention to this document when asked for a presentation of his views regarding decentralization.

Economic Waste Demands Change

"What is needed in this country," wrote the chairman of the Interstate Commerce Commission, after a review of the situation confronting the country arising from lack of economic symmetry, "is a wider diffusion of manufacturing industries and the local supply of the necessaries of life. Products of our factories are distributed throughout the land, but under circumstances of such economic waste as to demand a radical change. In the development of manufacturing many elements have conspired to confine factories to limited territories or particular cities. There has, however, always been a desire on the part of our people to locate the factory near the region of supply.

"As our middle western and border southern states began to be developed after the civil war, the constant effort of the smaller cities and towns was to secure factories of various kinds. During that period, by the payment of large bonuses, or offers of free taxes, coal and water, many of them secured the location of factories that gave promise of affording cheap material for home consumption and a distribution of the surplus to neighboring towns. Many of these factories proved to be failures and a ride over the country today discloses crumbling buildings and smokestacks in many towns and villages as grim monuments to the dead hopes of their projectors. Not all of these were properly located, many of them were the results of the dreams of some inventor of a short cut to wealth, but most of them should have survived, and would have done so except that influences were at work that made success impossible. Among the chief of these was the fact the railways favored certain manufacturing centers in the way of facilities and rates.

"The freight traffic manager's business was to secure tonnage for the particular railway by which he was employed. Long hauls of large lots afforded attractive business that added to the aggregate of returns to the carrier from his efforts, and led to his preferment by those higher up in the control and management of the road. Competition for business at points reached by several roads was keen and incessant. The more roads that served a particular point the keener the struggle between rival traffic officials for business. For many years previous to 1900, and by many roads until 1906, rebates were paid to secure business to such an extent that officials have frankly admitted in evidence in proceedings before the Interstate Commerce Commission that few carriers pretended to collect more than 80 per cent. of the advertised rates on shipments between competitive points.

"The inducement to give the larger shipper, and all shippers from manufacturing centers, an adequate supply of cars, transit privileges, switching arrangements, etc., was ever present, and the force of competition operated in favor of such shippers.

"While payment of rebates that found their way into the carriers' accounts ceased on the passage of the amendment to the act to regulate commerce in 1906, and many carriers had ceased to make such payments previously, the matter of preferential rates and the furnishing facilities to competitive centers continued with unabated vigor until the taking over of the railways by the President on December 28, 1917. That event was intended to bring about a complete change. Preconceived notions of the rights of each carrier as against others and their relations to the public were changed over night.

Part That Carriers Must Play

"The most important matter just now, however, is the part the railroads should play in the readjustment that must be made in our economic and industrial conditions. As before noted, it has come about that the large part of our manufacturing is done in our cities. The greatest manufacturing cities of the nation, considering the variety and quantity of production, are Chicago and Philadelphia. Southern New England has developed into a succession of manufacturing cities. Pittsburgh dominates the iron and steel industry and controls prices wherever sales may be made in this country, as Chicago dominates and controls the price of meats and their products. New York City produces immense quantities of ready-made clothing, employing thousands in sweat shops of unsavory surroundings. The result is that workmen and women in largest numbers live under conditions that are not sanitary, wholesome or conducive to good morals. This has happened in a country that is less densely populated than any other of the great nations of earth, and where there is room enough for every citizen and resident to live under conditions conducive to health, morality and happiness.

"There are many considerations that dictate a relocation of our manufacturing industries. In the first place, it costs more to do business in a city than in the country. Land values and costs of construction of plants, taxes, etc., constitute charges that must be met from earnings. It costs more to live in the city than in the country. A lower wage payment in the country than in the city would enable the workman to secure more comforts of life, to clothe his family better, and educate them more adequately. If the factory is located near the raw product, there is saving in transportation costs which will be reflected in net earnings." [Such a saving would necessarily mean reduced railway revenues and the prosperity of producers would entail adversity for the railways.—Ed.]

"Thoughtful study should now be given to the equalization of rates for freight transportation, and as to whether higher rates should for the future be permitted for shorter than for longer distances over (*Please turn to page* 78)

Courtesy "The Nation's Business"

How a Banker Views Conditions

A Statement by Nathan S. Jonas, President of the Manufacturers Trust Company

THE last month has witnessed many developments which, to the layman might appear to forecast an indefinite upward trend in finance and industry. Thus, the nation's freight, as represented by car-loadings, recently touched record proportions; there has been expansion in the steel industry, accompanied by wage increases and advances in the market price of steel; raw materials—as for instance, cotton—have attained new high levels for the year, marking really substantial recoveries from last year's lowest levels. To those who have not kept in close touch with all the movements that have been associated with these developments, their constructive nature might naturally lead to a very decided optimism.

Students of economic conditions, however—financial analysts and business men—realize that such factors as these can prove very misleading if the conditions surrounding them are not taken into consideration. In some quarters, for example, it is held to be a question whether the upswing in the price structure which has already occurred has not about discounted the most in the way of improvement that can be expected in general business for some time to come. Others incline to the belief that some of the most encouraging signs, on the surface, may not prove so encouraging when subject to careful examination; for instance, they suggest that a goodly part of the recovery that has been witnessed may have represented either a merely temporary reaction from the over-done depression of last year, or else a resumed, or secondary, inflation. In either case, there can be some doubt of the permanency of the upswing.

In other words, the tendency in well-informed quarters is not to belittle the improvement which has occurred, but to refrain from overestimating it, **to guard against the pitfalls of that extreme confidence which had so much to do with weakening the business structure and rendering it unable to withstand the strain of reaction in 1921.**

Among those who, while seeing much fundamental strength in the present situation, are inclined to treat the future with caution, there is Mr. Nathan S. Jonas, president of the Manufacturers Trust Co. In effect, Mr. Jonas advises a "tempered confidence" at this time, suggesting that business men should refrain from long-time commitments until developments permit more informed judgment of the distant future. In fact, President Jonas says:

"So far as the general business situation is concerned, I am inclined toward caution at this time.

"How I interpret the statistical position of some of the more important commodities today is shown in the accompanying table. So far as fundamentals are concerned, the conclusion seems inevitable that stocks in certain primary markets are low, not only here but abroad as well. This conclusion springs in part from the fact that substantial price advances have taken place even in commodities that have not been placed on the protected list in the new tariff law. This enactment admits free such commodities as silk, cotton, boots and shoes, hides and leathers of various kinds; and yet the prices of these and many other goods, such as certain grades of paper, tea, coffee, furs, rubber, etc., have been advancing steadily. The inference is plain.

Advances Before Tariff Law

"Reviewing recent events, we find that, even before the tariff took effect, prices were advancing in certain lines. Since the first of the year, there have been numerous advances in commodities, some of which are shown in the following summary:

Price Advances Since Jan. 1st

	Percent
Lumber (certain kinds)	50
Steel " "	43
Cement	16
Corn	33
Cattle	42
Hides	26
Calf Skins	17
Wool	48
Cotton	20
Worsted Yarn	19
Raw Sugar	22
Granulated Sugar	40

"As for the building industry, we find that the months of April, May and June constituted the period of greatest activity in building construction ever recorded, amounting in the aggregate, and in this country, to some $715,-000,000.

"Unemployment, as has been said, has practically disappeared. The peak of unemployment was in August a year ago. Since then, some 200,000 additional workers have been taken on in the industries of New York State alone. Average weekly factory earnings in this state last February were $24.17; six months later they were $25.10. And these figures compare with an average of $12.70 in June, 1914.

Caution Desirable

"Reviewing such factors as those collected above, it seems apparent that we are entering a period of good business and high prices—perhaps a period of semi-inflation. How long it will run nobody knows.

"Nevertheless, I would not be misled by these signs into over-expanded confidence. The time is bound to come when supply will again meet demand, and then another period of deflation will set in, marked by efforts to reduce manufacturing costs.

"Under the circumstances, my suggestion would be not to buy or contract for merchandise under any conditions for more than about six months ahead. It would be better, I believe, to decide to pay the market price after that than to risk being caught heavily loaded up when the next decline comes."

CONDITIONS IN SPECIFIC COMMODITIES

(A Review by President Jonas)

	Averages 1913 (Pre-War)	1920 (Peak)	1922 (Recent)	
Raw Silk:				
China Silk (Market Leader)	$4.63 lb.	$16.90	$8.85	In fair but decreasing supply, both raw material and finished articles.
Japanese Silk	3.94 "	17.40	8.25	
Cotton (Spot, N. Y.)	12.28	43.25	24.35	Below normal. Reserve stocks very low.
Lumber:				
Hard Wood (Five Principal Grades)	46.71 ft.	182.60	106.80	Being produced at about normal rate. Varieties are being broken, and fewer lines of reserves carried.
Yellow Pine	21.58 "	72.96	42.93	
Steel (Composite Price)	1.72 ton	5.80	2.57	Reserve stocks low, but due to recent transportation difficulties, considerable accumulation has taken place. There is fundamental strength in steel.
Cement	1.35 bbl.	5.00	3.25	Production and consumption at record rates. Mills running at capacity.
Leather (Union Backs)	.40	.75/.85	.50	Consumption has been on increasing scale for some time. Market tone decidedly strong. Reserve stocks low, and it will take some time to build up pre-war reserves.

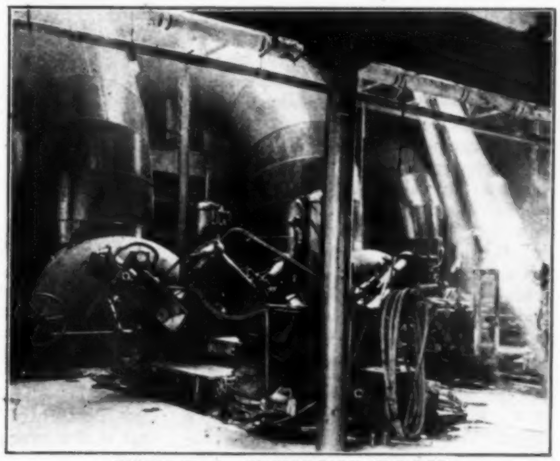
Glimpses of the Paper Industry

How logs are converted into wood-pulp and finally into newsprint paper.

BREAKING A JAM
Logs on the way to the sawmill being untangled from a bad jam by lumberjacks

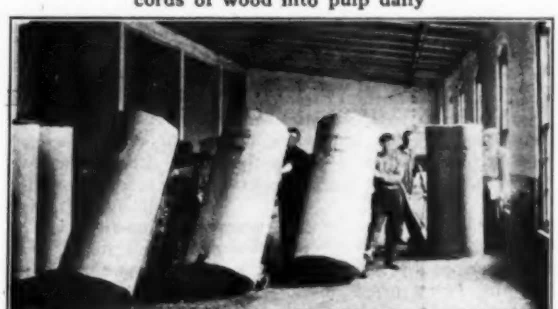
A TYPICAL SAW AND CUTTING-UP MILL
Where lumber is made, and where logs are cut up into suitable sizes preparatory to transportation to paper-mills

THE BARKING DRUM
The cut logs are conveyed to these revolving open-work cylinders known as "barking drums," where they are tumbled violently until the bark, which cannot be used in paper-making, has been rubbed off



INSIDE A GRINDING ROOM
Huge grinders, operated by water-power (sometimes as much as 500-h. p.) and capable of converting seven cords of wood into pulp daily

FROM PULP TO PAPER
Machines which receive the pulp at one end and convert it into rolls of finished paper



READY FOR THE PRINTING PRESSES
The finished product at the mill. One of the rolls shown here will weigh as much as 1300 pounds

THE Stock Dividend is very much in the public eye of late and is supposed to be beneficial, but the question is: Whom does it benefit, the Stockholder or the Company?

Why Stock Dividends?

Reason for Recent "Melon-Cuttings"—Is the Fruit As Juicy As It Looks?

By MAX ROLNIK

Former Deputy Collector of Internal Revenue

ONE of the most discussed and vitally important questions in financial, business and investment circles today is the tendency of corporations whose immense surpluses have overtaken, or seem about to overtake, in value the amount of capital stock outstanding, to get rid of those accumulated profits via the stock-dividend route.

Following such action by the big Standard Oil companies and two or three other corporations in different lines of industry, much public interest is being displayed in the stocks of other corporations whose large surpluses indicate strong possibilities that stock dividends will be distributed to shareholers. The tremendous buying movement in these various stocks would seem to reflect that the highly-keyed imagination of the public assumes that a coming stock distribution greatly enhances the value of the present outstanding stock. All over are heard rumors of "melon-cutting," "profit-sharing," "big stock dividends," and anxious eyes are turned to the stocks of the companies who are most likely to take stock-dividend action.

The Reasons

In the mind of the cautious outside observer, however, the question naturally arises: "Why do these corporations declare stock dividends, instead of distributing dividends in the usual way, in ready cash?"

The reasons given by the directors of the companies in most instances are:

1. To make the capitalization more equally represent the actual net worth of the company.

2. To sufficiently lessen the price per share to enable small investors—employees of the companies, and the public in general—to invest in the company and thereby share in its prosperity.

While both of these reasons are plausible, yet an entirely different reason is now ascribed by most financial writers and the newspapers; and, what is of greater significance, by certain congressmen. They declare that the real reason lies in the fear of directors that the enormous surpluses shown in the individual company's balance sheet would attract the attention of Government officials in Washington, with the result that burdensome, if not fatal, taxation of surplus might follow. Therefore, assert the cynics, the stock dividends are declared by these companies with the intention of hiding their big surpluses by including them into their capitalization.

ARE WE RICHER BY EIGHT HUNDRED AND FIFTY-THREE MILLIONS

WITHIN the last 30 days, the financial community has been inundated under a veritable tidal wave of stock dividends declared by industrial companies. Here is the record (largely complete):

Company	Face Value of Stock Dividend Declared
American Steel Foundries	$3,672,180
National Biscuit Company	22,500,000
Victor Talking Machine Co.	30,000,000
S. O. Kentucky	2,000,000
S. O. California	115,000,000
S. O. New Jersey	440,000,000
S. O. New York	150,000,000
Ohio Oil	45,000,000
Vacuum Oil	45,000,000

Totaling up these disbursements, it is found that over $853,000,000 has apparently changed from the hands of these great corporations into the hands of investors.

Is this the case? Are investors actually richer by $853,000,000 than they were a month ago? The accompanying searching analysis of stock dividends answers this highly interesting and practical question.

If You Analyze the Situation

This contention is absolutely groundless. Distribution of surpluses by means of stock dividends does not avoid taxation of the surplus. Following the comment regarding a possible evasion of tax, caused by the rather wholesale distribution of stock dividends recently, the Administration has denied any intention to tax accumulated surpluses. Yet it must not be overlooked that Congress, when drawing up the present tax laws, seriously considered such a tax. And, there is no doubt in my mind that **if the present sources of revenue do not prove adequate, Congress will take steps to place a tax on all surpluses, including that capitalized by stock dividends.**

The possibility that Congress might overlook these excessive surpluses is, to say the least, very remote, in view of the tremendous amount of publicity being given the declaration of stock dividends.

In this connection, it must not be forgotten, that we have the rudiments of such a tax in our present law. While thus far it has not been enforced, it may be that the Government will attempt to put this provision in force. This provision calls for a tax on surplus accumulated beyond "reasonable needs of the business." In other words, Congress under the present law is authorized to tax the undistributed surplus of any year over and above what is actually needed for additional plants, inventories, working capital, sinking-fund requirements, retirement of liabilities and other necessities, including provision for lean earnings and the extension of the business.

Does the distribution of stock dividends avoid this tax? Decidedly not, for the Supreme Court has ruled that the surplus is not distributed by means of a stock dividend. The company, therefore, has the same undistributed surplus after the stock dividend as before, except that this surplus has been included in the capitalization, and is, therefore, unavailable for cash dividends. Many Congressmen favor the amendment of the present undistributed profits tax to cover undistributed surpluses regardless of whether needed in the business or not.

However, the proposed tax may be finally agreed upon, I believe the present notoriety given these stock-dividend distributions will prevent any error by Congress in defining just what surplus is taxable. In other words, if a law taxing surpluses is passed, it will clearly define the taxable surplus as the excess of the total net income of the corporation above all distributions made to stockholders from such net income, *other than by stock dividends*. Provision will also be made, no doubt, that this taxable surplus shall be computed before deducting excessive reserves and writing down assets below their fair value. If it is decided

that the computation shall be made commencing with the first year the corporation started business, the tax rate will probably be low. If the computation is to be made as of the year the present income tax went into effect, or some specified later date, the tax rate will, of course, be higher. In fact, there may be a system of graduated rates applied.

It has often been recommended that a tax be placed on corporations for the privilege or act of declaring stock dividends. Corporations that were planning to declare stock dividends for reasons other than tax purposes may have possibly been hurried into doing so before such a tax is levied. Aside from this one remote possibility, I am convinced that the present activity in declaring stock divdends is due to legitimate financial reasons. What are they?

Advantage of Stock Dividends

In the first place, let us remember that a company is made no richer or poorer by the distribution of a stock dividend. On the other hand, the declaration of a stock dividend is wholesomely advantageous to a company, and herein lie the real reasons for such action. The reasons advanced by the directors have already been given—and they are convincing. There are additional reasons—though, in justice to the companies who have during the past month or two declared stock dividends, it must be admitted it is probable that none of these reasons may have applied to them.

By the distribution of dividends in this manner, the surplus is reduced and the possibility for depleting the funds of the company by payment of cash dividends is lessened. This is evident when it is remembered that, no matter how much cash the company has, it must have a surplus from which to pay dividends. That part of the surplus which is added to the capitalization, therefore, is no longer available for cash dividends.

The average stockholder is, I am afraid, under the impression that a stock dividend is as desirable as a cash dividend. We then have a situation where the stockholder's appetite for dividends is appeased and the company's financial condition is unaffected—in fact, it is improved. Where the surplus has been used in building up the physical assets of the company and is not available in cash to distribute as dividends, the plan of issuing stock dividends is the most practicable solution for the company.

For this reason, a company's credit is improved when its surplus is capitalized. The surplus that has been transferred into the capitalization has become a firm investment, leaving the company in a stronger financial position than it would have been in if it had had to make an equal disbursement in cash, or if it had allowed the surplus to remain open, available for disbursement in cash.

It is unfortunate that the fear of adverse legislation forces many companies to attempt to shield their earnings from Governmental observation. It is thought by many persons that the real reason behind the stock-dividend distributions is to increase the capitalization, so that the percentage of income to capitalization would not excite undue comment. For example, assuming a hypothetical case, a company earning $1,000,000 a year on an outstanding stock of $5,000,000 is earning 20%, an apparently high rate. If the surplus of the company, amounting to say $7,000,000, is capitalized by declaration of a stock dividend, the rate of earnings drops to only a little over 8%—a rate not so likely to influence legislative regulation.

For a similar reason, if the cash dividends are to be increased, a higher capitalization would not disclose this to the surface observer. In the illustrative case, dividends of $500,000 a year would be 10% on the old capitalization. The same *rate* of dividend on the new capitalization would mean cash dividends of $1,200,000 a year to the stockholders. **This anticipation by speculators of the maintenance of the same dividend rate on the new capitalization is perhaps the most important reason for the advance in market price of the shares of a company about to declare a stock dividend.**

It must not be assumed, however, that it is wise to capitalize the entire surplus of a company by declaring stock dividends. A fair part of the surplus should be allowed to remain as such so that cash dividends may be paid from it if the company hits a series of years of poor earnings insufficient to pay the regular rates of dividends it has established. If all the surplus is capitalized and there is a loss for the following fiscal year, the company would be forced to show a deficit on its next balance sheet.

Better Marketability

Again, the marketability of the split-up shares is increased because of the lower price. The freer market movement as to price fluctuation and the wider distribution are of great advantage to those present stockholders who are inclined to sell their holdings. Four shares of stock selling at $25 each, for instance, can find a wider market and attract a great many more investors than one share of stock selling at $100, though this one share represented the same net assets as the four.

Another advantage to those in control of the stock is evident in this same fact. **Through a wider distribution of the stock it is easier for them to maintain their control, even though they dispose of a large part of their former holdings.** The new holders of the shares would probably be more widely scattered, and on that account, any organization among them for control of the company would be a very hard task, to say the least.

As to the effect on stockholders in case of a distribution of dividends in stock. Theoretically, the stockholder is made no richer or poorer. Of course, he may be able to sell his stock at higher prices later on, but that is a matter for market activities and the future of the business to decide. It does not alter the fact, however, that through a stock-dividend distribution each stockholder merely gets an additional number of shares, but, in substance, he still has the same relative total amount of participation in the company's business as he had before. The company's assets were not increased by reason of the stock dividend—therefore each stockholder's share of those assets was not increased.

Fundamentally, therefore, there isn't any reason why the usual scramble should be made for the stock of a company that is likely to declare a stock dividend. It means, in essence, absolutely nothing to the shareholder. On the contrary, it lessens his chances of securing further cash dividends on his holdings. Because, whereas formerly the company had a surplus from which to pay dividends, that part of the surplus which is capitalized has become unavailable for cash dividends. The imaginative mind of the public, however, generally takes it for granted that the same dividend rate will continue to be paid, if not an increased rate. Manifestly, with a larger outstanding stock the same dividend rate cannot be maintained as on the smaller capitalization.

Another reason for higher prices was

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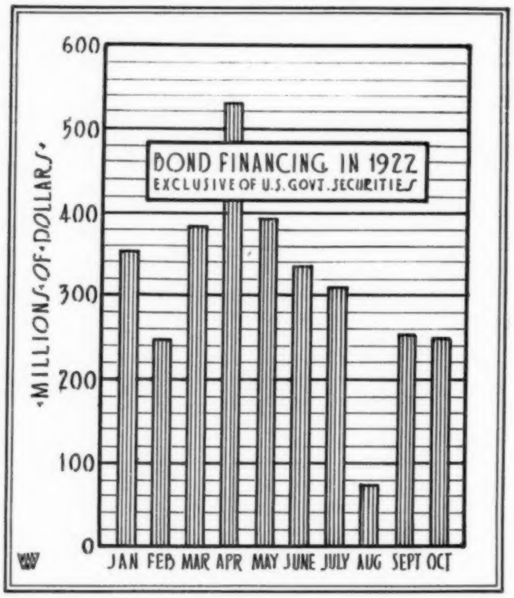
(From the N. Y. Evening Journal, © 1922, Star Co.)

The 1922 Deluge of Bonds

A Record Year in New Financing—Is the Bond Market Saturated With New Issues?

By LLOYD BURTON NORRIS

RECENT weakness in the bond market, indicating a change of trend in prices, affecting not only corporate securities of various classes but even the sacrosanct Government issues, puts a somewhat different complexion on the bond situation and leads to the question whether new bond financing in the near future can be so easily successful as it has been all through this year up to the present time. From examination of figures pertaining to new bond offerings this year, including foreign issues floated in this country, but exclusive of U. S. Government offerings, the conclusion is reached that in no similar period in the financial history of the United States have so many bonds been offered for public subscription. Inasmuch as this unusual record has been made possible in a period of exceptionally favorable money rates, it is logical to deduce that the less favorable money situation of to-day, of which the recent trend in current bonds is a reflection, must have some immediate effect on new bond issues to come.



It is axiomatic that new securities can be successfully sold to the public only if investment absorptive power is sufficiently great and if the public temper is sufficiently optimistic. Both factors are essential. What, then, is the situation in this regard to-day?

Is Public Appetite Whetted?

This can only be answered by pointing back to the unprecedented volume of bond issues this year, aggregating for the first ten months of the year a total of no less than 3,140 millions, and this does not include governmental issues. It must be apparent that this exceptionally great volume of new securities must have at least partially whetted public appetite for investment in new issues.

There are, however, more tangible clues to the situation. The principal one of these is that money rates have sharply turned and that offerings of a few months ago which were entirely satisfactory to the public on the basis of their yields are no longer as satisfactory in this respect. The fact is that when time money and commercial paper were down to a 4% basis several months ago, high-grade long term bonds offering 5 and 5½% were eminently desirable to the rank and file of the investing public. To-day, however, with time money at 5% and commercial paper close to that figure, there is no inducement to invest in bonds that yield as low as 5%, and this is especially true of new bonds, whose merit has not yet been tested through a period of years. **The result of this situation is likely to be that corporations desirous of putting out new high-grade bond issues will have to take cognizance of the change in money conditions and offer their issues on a basis where public participation can again be induced on a large scale, and this can only be if the rates to be offered are in excess of those offered so far during this year.**

The effect of the new situation on bonds already put out this year is not difficult to ascertain. Bonds, for example, yielding not more than current time money rates, are certainly not on a strong basis as they will have to decline to conform with general money conditions. The effect of this has in truth already been seen in a number of new issues which have declined to a material degree from their original offered price. This is particularly true of foreign bonds which have been especially troublesome to the original syndicates. In some quarters it is stated that no less than 25% of the foreign bonds put out this year are in the hands of the original syndicates, with no way of disposing of the bonds in the present unsettled condition of the investment markets.

As to the situation with regard to new corporate bonds put out this year, it is not so easy to surmise the actual state of affairs, but there are several signs that the large investment interests, which have been the principal buyers of such securities right along, are gradually liquidating. In this connection, it is significant that banks have already to a large extent reduced their portfolios of government bonds, indicating the extensive selling movement which is under way.

Less Favorable Situation

The general tenor of the bond situation is thus rather less favorable than it has been thus far this year. What effect a declining irregular market is likely to have on prospective purchasers of new issues, unless the latter are put out at sufficiently attractive rates, is not difficult to forecast. It is reasonable to assume that a bond market that does not continually advance is not likely to be provocative of great enthusiasm on the part of individuals and institutions who otherwise might resume their buying activities.

In these circumstances, it is evident that bond syndicates and investment houses are not going to have such a completely favorable background for their selling activities as they have had during the major part of this year. This is particularly true of foreign issues, new issues of which have declined extensively in the past few months. It is also true, though to a lesser extent, of domestic issues, except where these are offered at rates to conform with changed conditions in the money market. Where favorable rates can be secured, however, there is no reason to believe that efforts to dispose of new good bond issues will not be attended with at least comparatively good results. The investment absorptive power, while necessarily less than that of a few months ago, considering the tremendous volume of new offerings, is still a fairly large one but not large enough to permit the flotation of an unlimited number of issues, and, on the whole, is rather in a position to grow less as demand for funds for commercial purposes continues to increase. Altogether, therefore, competitive conditions are likely to prevail in the new bond market, with the result likely to be favorable to higher-rate bonds, unless, indeed, the trend of money rates completely changes, and money again becomes as plentiful as in the earlier part of this year, in which case the market may again revert to a "sellers' affair." This latter, however, appears a rather remote prospect at this writing.

Business Movements and Securities

What Has Happened to the Money Supply?—A Review of Underlying Business and Security Factors

By E. D. KING

IN the August 5 issue of THE MAGAZINE OF WALL STREET, the writer took the position that the money supply was the broad underlying factor in the movement of business and securities and that the outlook was such that within a relatively short period less favorable money conditions could be expected. This situation has come to pass a little sooner than expected. During the three months which have elapsed since the last review, there has been a considerable change in the money markets. Interest rates for practically all classes of loans have advanced, in some instances markedly. Below are given a list of some of the principal changes:

	Rate Aug. 1 (%)	Rate Nov. 1 (%)
Time money	4 —4⅝	4¼—5
Call money	3 —4	4½—6
Commercial paper	3¾—4	4½—4¾
Acceptances	3 —3⅛	4 —4⅛
*Government credit	3¾	4¼

* As represented by new Government financing.

Considering the short period during which these changes were made, they have been remarkably rapid, even drastic. Certainly, considering the great scope of the altered money conditions, it is evident that the underlying situation with regard to money supply is not the same as last summer.

The change in the situation will be explained more or less roughly by examination of the accompanying chart showing, among a number of other things, a decided fall in the Federal Reserve ratio, standing at this writing at about 75% compared with a high mark of 80% reached on two previous occasions. As explained in the August review, the movement of the Federal Reserve ratio is significant because it affords a convenient guide to the state of the money supply. Since the Federal Reserve ratio is the visible index of the money supply, it follows that its decline in the past three months measures a decline in the money supply itself. This decline in the money supply has been the result of several growingly important factors among which can be enumerated the increase in the demand for commercial credit as represented by discounted bills, an increase in the notes in circulation, representing increased demand for currency with which to meet bills, buy goods, etc., and extension of stock-market activity drawing upon available funds.

Recently the demand from these sources has been stimulated to such a degree as to make a marked difference in the aspect of the money supply.

Since money supply is both the cause and effect of business and security movements, it must be apparent that the latest change in the tendency of money which has been too drastic to validate the reason given in some quarters that the change is due to temporary conditions—crop movements and other classic reasons given for stringent money conditions in the fall—must be regarded as a significant barometer of underlying economic conditions.

The net result as expressed above has been to raise the cost of borrowing and the advance in interest rates is now making the operation of business a more costly matter than it was several months ago. How far the upward movement in interest is likely to go cannot be accurately determined at this moment because the

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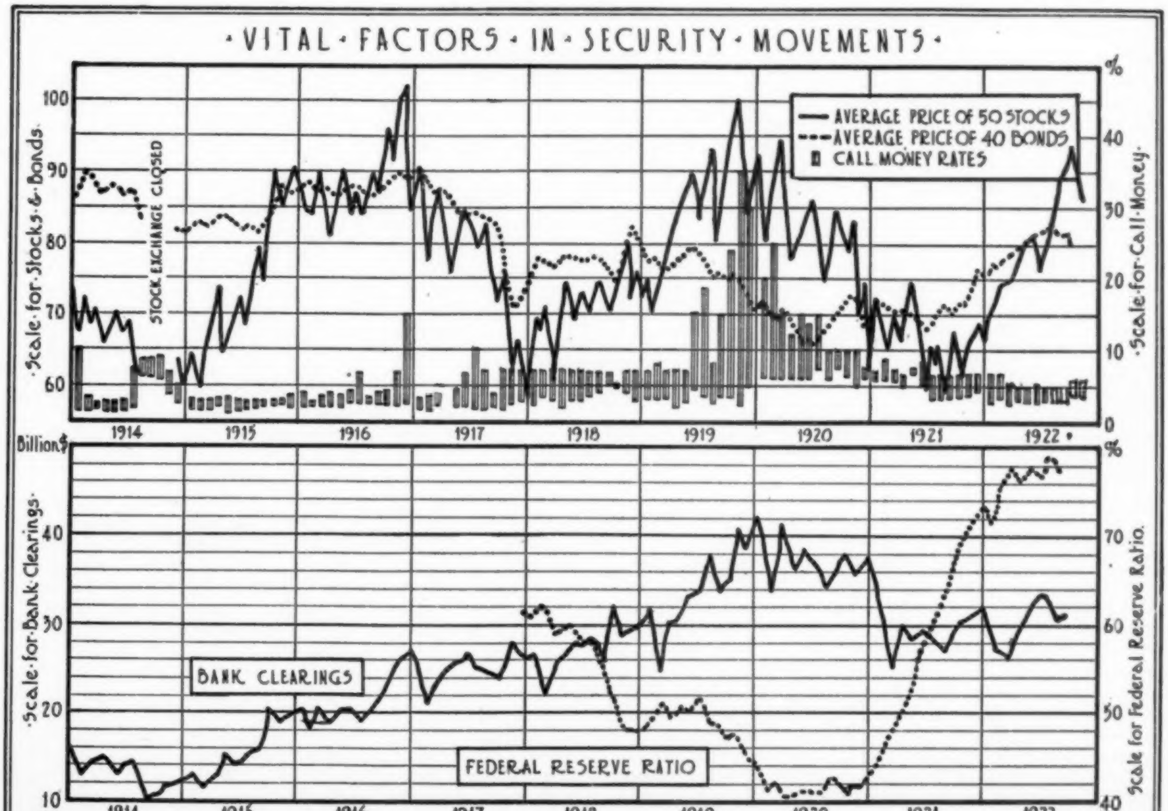


Foreign Trade and Securities

If War Should Come—

Sentiment vs. Facts in Finance—How the United States Would Be Affected if Another War Started in Europe

By MAX GOLDSTEIN

A CURIOUS contribution to the study of the so-called "psychology of Wall Street" would be to find out why stocks decline when war rumors are in the air, or to put it more accurately, why war rumors are usually adduced as an acceptable explanation for declines in stocks at certain periods. An excellent example was the "war scare" of slightly over a month ago in which stocks slumped heavily to the cartoonists' accompaniment of weird visions of turbaned Turks twisting an irate lion's tail.

At the present time, unpalatable as the statement may be, it cannot be denied that such a study would have more than merely academic value. The stage seems to be all set for war; the economic background of hostilities is all prepared, the military situation is strained, and the only thing lacking is an active public opinion favoring war. This, however, as we have learned, can always be improvised at the last minute when necessary.

Three Sensitive Points

To "préciser" the situation, as the French say, there has been pointed out in a recent issue of THE MAGAZINE OF WALL STREET the three great central points of strain in the European structure—on the Rhine, because of reparations; in Russia, because of concessions; and in Constantinople, where the issues are involved in a shadowy maze of theology and morality and petroleum and railroads and Venizelist politics.

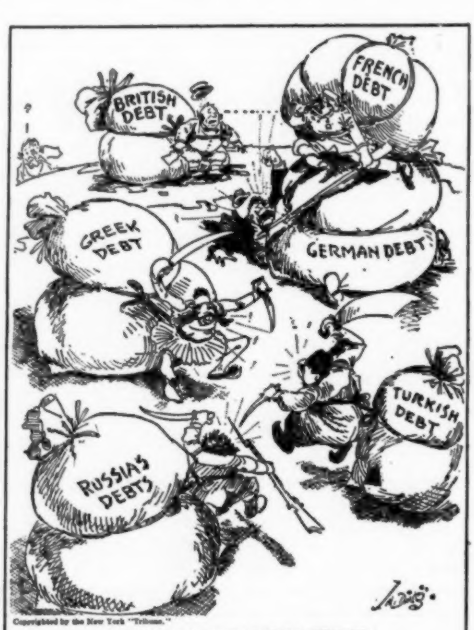
Superimposed on each of these economic points of strain is a structure of diplomacy and negotiation, which, conditioned as it is by economic reality, to some extent lives a life independent of it. Diplomatic settlements and treaties may therefore be arranged while the underlying economic antitheses are still unresolved, or on the other hand, diplomatic aggressiveness or tactlessness or calculations based on the systematic use of force may intensify such a situation until it reaches the dynamic explosion known as war.

The precise moment of incidence of a war, therefore, cannot be calculated as the resultant of a group of politico-economic forces. But if we are given a situation in which all the factors are present that make for war, we can "constate" the possibility of a war and even attempt to evaluate the consequences to the economic life of a given country if such a war should come to pass.

Financial and Industrial Effects

The economic interests of the United States which would be affected in the event of a war are of two kinds, financial and industrial. Among the first we can also distinguish two further subdivisions, governmental and private. Our governmental interests consist of the interallied debts, amounting to well over 10 billions of dollars, and our claim for the cost of the American Army of Occupation in Germany, which is around 300 millions.

Private financial interests, again, consist of investments in European securities, recent additions to which have been mostly in those of Central Europe, and of commercial and banking credits extended to former allies as well as former enemies.



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PERHAPS IT IS JUST AS WELL THEY'RE ALL PRETTY - WELL TIED DOWN.

—Darling in the New York Tribune.

If war comes, our governmental claims on the Allied Governments, admittedly rather tenuous even now, except in the case of Great Britain, would be reduced to the vanishing point, and much the same would happen to our claim on Germany for occupation costs. From this point of view, therefore, a war would be an unmitigated loss to us, no matter who won or lost on the other side. Our commercial and banking credits and our investments in Europe would be weakened as to lien, but not abolished, in the event of a war, and because of their geographical distribution would stand to win or lose as much on one side as the other. The situation here is far different from what it was in 1917, when our economic interests, particularly the financial, were all on one side.

Our industrial interests will be affected very differently according to the nature of the industry, and according to the particular countries involved in the potential war. In the following paragraphs the attempt shall be made to estimate the effects of such a situation on ten of our leading export products.

Agriculture

Beginning with the agricultural industries, we note that they would in general be stimulated by a European conflict. England, always a heavy buyer of our foodstuffs, would buy more; France, now buying little, would buy much more if a large part of her agricultural population went to the front, and Germany is already so dependent on us for her foodstuffs that a war would not make much difference in this particular situation. The other countries are practically self-sufficing. This applies especially to our exports of wheat, although corn would receive a great secondary stimulation. It is normally not exported in great quantities for human consumption to Europe, but in time of war "half a loaf is better than no bread at all," and the same applies to corn bread as opposed to the regulation European wheaten loaf.

In the case of cotton it is probable

that our exports of the raw material would suffer a decided setback, to a slight extent compensated for by an increased use of cotton for nitrocellulose and allied military products, and by an increased exportation of finished or semi-finished textile products to make up for the decline in internal productive capacity in the belligerent countries. In England, for instance, where a large part of the normal consumption of raw cotton goes into the manufacture of cotton yarn and cloth for the British textile trade, it is to be expected that in the event of war both the export trade and with it the manufacture of textiles and hence the importation of raw cotton would suffer a decided slump. On the whole, the effects of a war would be detrimental to our cotton-growing industry, as was instanced by the conditions in the cotton market after the declaration of war in 1914 which led to the "Buy a Bale of Cotton" movement. This stands in decided contrast to the stimulation of cereal prices which would follow at the same time.

Steel

The steel industry, considered as a totality, would be favorably affected, but exports of steel products of the staple types would undoubtedly decline. This tendency would be more than compensated, however, by the increased production for military purposes of munitions and accessory products, all involving a large consumption of steel. A large part of the present increased steel capacity of the country is traceable to this stimulation in the years between the opening of the European War and our entry into it, and while new capacity might not be necessary in the event of another war, the stimulation would be reflected by operations at a higher rate of capacity than normal.

Our oil exports, which at the present time form a considerable portion of our total foreign trade, would undoubtedly be favorably affected by a European War of considerable dimensions. Petroleum products find extensive utilization in war, not only as a source of supply for the production of chemicals, but as fuel for airplanes, motor trucks, tanks, motor cars and motorcycles, all of them of the first necessity in a modern war. Lord Kitchener's dictum, "We floated to a victory on a sea of oil," will not be forgotten in this connection. Under such circumstances it is highly probable that not only would the domestic production of crude be stimulated to its maximum, but that it would prove insufficient and additional supplies from Mexico and South America have to be imported. Our refining capacity, which is so far in excess of our actual needs for the time being as to constitute an actual problem for the industry, would be occupied to their fullest extent.

In the case of copper the currents would be various, though there would be a net increase of demand. Our largest customer at the present time, Germany, could be excluded from the market, for the same conditions prevail now as in 1914—England maintains the mastery of the seas, and whatever else the "freedom of the seas" may mean, it certainly cannot be held to imply that England would permit the transportation of essential war materials to her enemies from this country. While the wartime demands of the other side would be left unsatisfied as far as the United States is concerned, the demand from whatever countries are allied with England would be greatly increased, so that the net result would probably be a relatively small net increase in the total amount of our copper exports.

Sugar, which is another important item in our present export traffic, would be hard hit by the probable war-time restrictions which would be at once imposed in the event of a war. The decline, however, would probably not be as serious as in 1914, as the ability of Europe to supply its own sugar requirements has been seriously impaired since the last war. Some part of our huge excess sugar refining capacity, therefore, would continue to find employment in the export trade, though in all probability not at the present high rate, which is far above that customary before 1914.

Fertilizers would suffer a definite setback, to the extent that they could not be utilized for the production of chemicals needed for war purposes. Phosphates, for example, find no such utilization, whereas the nitrogen compounds formed in the new fixation plants would be of the very highest importance to the belligerents in time of war. Potash to some extent finds such utilization also. It must be remembered that there is a certain tendency to make up for the lack of labor and agricultural machinery in time of war by an increased utilization of fertilizers, but this tendency is more than counterbalanced by the importation of foodstuffs from abroad instead of making increased efforts to grow them at home.

Certain lines of manufactured products would of course be hit very hard in case of war, because of the universal effort to reduce the consumption of luxury goods and the necessity of occupying tonnage with war materials as far as possible. Chief among our exports of this type are shoes and semi-finished leather and automobiles. For these industries the war would mean practically an unmitigated loss to that portion of their exports which is concerned with sales to Europe.

Shipping

An industry whose position would be highly anomalous in case of war would be that of shipping. The naval control of Great Britain would be as before the decisive factor in our export trade, so far as destination is concerned, for we could trade only with the nations politically allied with Great Britain. There is one difference of primary importance, however, between the shipping situation today and that existing before the war of 1914. This is the quantity of tonnage immediately available.

At that time there were only enough ships on the water to take care of the normal demands of trade, with possibly a slight surplus. Now there is a very large surplus, possibly 14 million tons, representing the tonnage built by the United States during the war, for which there is no immediate use. For this reason the shipping world at the present time is going through a period of very severe competition.

In the event of war, however, there would be a use and a very pressing one for all this volume of actually unused shipping. Competition would be removed, trade would flow across the Atlantic twice as fast as in 1914, and the methods of avoiding the submarine menace developed during the recent war would be recalled into service to ward off a repetition of such wholesale destruction to merchant shipping as then occurred.

For this reason the shipping industry would be benefited probably more than

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Fascisti Control Italy

Overturn of Government in Italy Presages Strong Nationalist Movement

THE turbulent state of European politics at the present time is nowhere better illustrated than in Italy, which has recently witnessed the remarkable overthrow of its Government at the mere crooking of the finger of a hitherto obscure individual. Signor Mussolino, new Italian Premier, at the head of the Fascisti, of which he is chief, is now the real ruler of Italy. The Fascisti are a curious combination of an imperialistic-agrarian faction which has been able for two years to make things rather warm for both the then Government and the Socialists.

Above all, the Fascisti are nationalistic and in that guise are bound to make things interesting for the bordering nations. Chief among the nations who are bound to take serious cognizance of the new state of affairs is France, which has up to this time profited from the mild liberalistic attitude of the former Italian heads of Government. Now, however, with a strong national bent, Italy will undoubtedly attempt to secure what she considers her rightful portion of the rewards of victory to which, in truth, she has contributed greatly. Neither Jugo-Slavia nor France are bound to take comfort from the new turn in Italian political affairs and interesting developments seem to be not far off.

Bonds

Investing Your Idle Funds

A Guide to Investors Who Have Large Profits or Funds Awaiting Investment at This Time

By THOMAS B. PRATT

THE present situation in the bond market brings to the fore again the short term security. These obligations always have a prominent place in the market, but much of the time they are bought mostly by banks and other institutions that have idle funds available for investment for short periods.

Perhaps the chief characteristic of the short term security is its stability. The fluctuations in price are not large and a buyer of this type of bond or note is generally able to liquidate without loss of principal.

To the individual investor the short term security offers many attractive features at the present time. This applies particularly to the investor who has idle funds to invest and who is not certain as to the course of the general bond market in the near future. It also applies to the investor who has taken or is about to take profits derived from his investments in long term bonds.

For over a year the bond market enjoyed a remarkable rise. Practically all bonds advanced from 10 to 20 points from the summer of 1921 to this fall. The advance was halted only recently as a result of a sharp upward movement in money rates.

During this period, gilt-edge issues have undoubtedly reached their peak. A 4¾% basis for the higher grade rails is about as far as investors, even those who are willing to sacrifice yield for ultra-safety, are willing to go. This is particularly true when the yield on such securities is compared with the yield on United States Government securities, which with their tax exemption features appear in many cases more attractive than some of the low yield rails. Furthermore there is too much of a margin between the yields of these high-grade rails and other railroads and industrial securities of improving quality. There are a large number of issues on the New York Stock Exchange, the issuing companies of which were severely affected by the depression of 1920 and 1921. These issues have not become fully seasoned since the improvement in business conditions, but it is generally believed that many of them will move to higher levels.

SHORT-TERM INVESTMENTS

RAILS—	Interest Rate	Maturity	Price	Yield	Income
Canadian Pacific	6	3/ 2/24	101	5.20	5.94
Hocking Valley	6	3/ 1/24	100⅞	5.31	5.95
Kansas City Terminal	6	11/15/23	100⅞	5.19	5.95
Pennsylvania	7	4/ 1/30	109⅞	5.38	6.47
St. Paul Union Depot	5½	12/15/23	100¾	4.80	5.46
Baltimore & Ohio	6	4/ 1/24	101	5.30	5.90
PUBLIC UTILITIES—					
American Tel. & Tel.	6	2/ 1/24	101	5.08	5.94
Southwestern Bell. Tel.	7	4/ 1/25	102⅞	5.73	6.80
Brooklyn Edison General B	6	1/ 1/30	104	5.32	5.77
Chicago Tel.	5	12/ 1/23	100	5.00	5.00
Milwaukee Elec. Ry. & Lt	5	2/ 1/26	98	5.55	5.10
Tri-City Ry. & Lt	5	8/ 1/23	100	5.00	5.00
INDUSTRIALS—					
American Cotton Oil	6	9/ 2/24	98½	6.74	6.09
Copper Export	8	2/15/24	102¼	6.18	7.82
Sears Roebuck	7	10/15/23	101½	5.38	6.89
New York Air Brake	6	5/ 1/28	101	5.75	5.94
Lackawanna Steel	5	3/ 1/23	99⅞	5.13	5.01
U. S. Smelting & Ref.	6	2/ 1/26	100½	5.86	5.97
American Tobacco	7	11/ 1/23	102⅛	4.80	6.85
American Can	5	2/ 1/28	99½	5.10	5.02
Central Leather	5	4/ 1/25	98¾	5.50	5.06

The present situation, in so far as the bond market is concerned, is one of uncertainty for many investors. Those who have taken profits from investments made many months ago, and others who have funds coming in from other sources, are not certain that this is a good time to make further purchases of long-term obligations. For such investors the short-term security offers the opportunity to employ funds at fairly attractive yields and with the feeling that their principal will be secure against wide fluctuations in price. The same care, however, and in some respects even more care, should be exercised in making purchases of short-term securities as is essential in investing funds for a long period. The main point to remember is that upon maturity of the short-term security it must either be paid off in cash derived from profits or else it must be retired from money obtained through refunding operations. The net working capital of a corporation is an important factor in determining the value of these securities, and the net asset position in relation to mortgage obligations outstanding is another important feature. Diversification of risk should be sought as far as possible; the individual investor should endeavor to spread his funds over as many corporations and branches of industry as possible.

Maturity is a question that each investor must settle for himself. There may be found a wide range of securities maturing in from one to seven or eight years, and the particular requirements of each investor will determine the length of time that he desires his funds to be employed. These issues are exceptionally stable, and as price fluctuations do not vary greatly maturity is not as important a factor as in long-term investments. The buyer of short-term issues can generally dispose of his holdings without much loss, if any.

In examining the lists of short-term securities it will be found that the better grade issues yield around 5% and that a few yield even less. Yield is not generally the most important factor considered by individual investors in turning to these securities for a place for their funds until such time as they return to long-term investments. However, it is to be noticed that yields of 5% or more on short-term bonds are vastly superior to those obtainable from placing funds in vaults so that the investor receives a real advantage by temporarily investing in securities of this character.

There are a large number of short-term issues that yield better than 5% and many of them are of a good grade and perfectly sound. Some of them are the issues of companies that were affected mostly by the depression. It is the present condition of a company and its immediate future prospects that

should be considered and not the record of the company in 1920 or the early part of 1921. That was an abnormal period and a considerable number of companies that had not reported deficits for years were unable to pay dividends on their stock issues because of an abnormal decrease in volume of business and large inventory losses.

In the list of short-term securities accompanying this article will be found issues of various grades. They cover the railroad, public utility and industrial field. Of course, the prime security in this respect is the United States Government Certificate of Indebtedness. These, however, provide too low a yield for most investors.

Railroad Issues

The railroad issues shown in the list are exceptionally high grade and all of them yield over 5%. They include such roads as the Pennsylvania, Canadian Pacific and Baltimore & Ohio, about which little need be said. Their credit is unquestioned. The Hocking Valley issue is also of a high grade and contains all of the elements of safe investment. The St. Paul Union Depot notes are guaranteed by about nine roads, among them being the Burlington, the St. Paul, the Great Northern, the Northern Pacific and the Rock Island. This guarantee makes this issue exceptionally safe. The Kansas City Terminal is owned and controlled by several roads and this issue of notes is secured by a deposit of this company's 1st 4s of 1960, which are guaranteed by such roads as the Atchison, Burlington, Rock Island, Union Pacific, and several others. Investors may place their funds for short-term investment in any of the rail issues shown in the list with the utmost confidence.

Public Utility Notes

The public utilities have regained the position they once held in the investment world. The war worked great hardships on these companies because of the high costs of operation that resulted from it. In most cases they were unable to obtain relief through an increase in rates owing to the attitude of public service commissions. When such increase finally were granted, however, operating costs commenced to come down and at the present time these companies are enjoying a prosperity that has not been theirs for several years. Public utility issues have advanced materially in price as a consequence, and it will be noted that the yields shown on the issues given in the list range from 5% to 5.73%. These issues are all high grade, however. Three of the issues are Bell Telephone obligations and their status is too well known to need much comment here. The Brooklyn Edison Co. is one of the most prosperous electric light and power companies in the country and its securities command a high rating. The earnings of the Milwaukee Electric Railway & Light Co. and of the Tri-City Railway & Light Co. have covered interest requirements by a safe margin for several years.

From the first two groups, that is, railroads and public utilities, the investor may obtain quite an extensive list of high-grade short-term securities. In examining the list of industrial short-term issues, a few will be found that provide better yields than those given in the other three groups, but there are not many, and even companies that had losses in 1920 or 1921 are not at a great disadvantage in so far as yield is concerned in their short-term issues. The Central Leather Co., for example, reported a deficit of $20,590,000 in 1920 and $9,230,000 in 1921. The only bonded indebtedness of the company is the 1st 5s of 1925, of which there are about $26,000,000 outstanding. These bonds are secured by a mortgage on all the property of the company and also by stocks and bonds of subsidiary companies having a par value of $64,000,000. The company is doing considerably better this year than in the past two, and for the first nine months of this year net earnings available for interest amounted to $1,507,480, or sufficient to cover charges for the period by a small margin. American Can has also only one bond issue outstanding, the debenture 5s of 1928. This company has earned its interest charges by a wide margin for many years, however, although it has never put its common stock on a dividend basis. These bonds, owing to the earning power back of them and the

(Please turn to page 82.)

Bankers' Acceptances

How They Save Loss of Interest—Ideal Investments for Very Short Terms

THE Federal Reserve Act defines an acceptance as "a draft or bill of exchange drawn to order, having a definite maturity, and payable in dollars, in the United States, the obligation to pay which has been accepted by an acknowledgment written or stamped and signed across the face of the instrument by the party on whom it is drawn; such agreement to be to the effect that the acceptor will pay at maturity according to the tenor of such draft or bill without qualifying conditions."

In other words, the acceptance is very much the same thing as a promissory note. Provisions surrounding the issue of bankers' acceptances are such as to make them as safe as any other type of negotiable instrument.

They are especially satisfactory for short-term investment in amounts ranging from a few hundreds upward, and are particularly ideal for interim investments. During certain periods of the year, many business men and investors allow their funds to accumulate in banks with the idea of future use. In the meantime, as long as these funds are kept idle, the investor loses a considerable percentage in income. His problem is to invest his funds without loss of interest and in such a way as to be able to withdraw his money whenever he needs it.

The bankers' acceptances solve this problem as they can be bought from very short maturities of 10 days to longer maturities of 6 months. They thus fill every conceivable demand for short-term purposes. Inasmuch as it should be the investor's plan to keep his funds employed *at all times* without loss of interest it is apparent that the acceptance makes a very satisfactory medium for such purposes. While they do not yield as much as short-term corporate notes their non-fluctuating quality renders them particularly desirable to many types of investors.

They are of course especially suitable for the employment of large funds which otherwise might remain idle for varying periods of time with consequent loss of interest. Even for the smaller investor with a few hundreds lying around, they are a suitable form of investment.

ACCEPTANCES

	Maturing		Rate
THIRTY-ONE TO SIXTY DAYS			
Bank of Montreal, N. Y. (B)	Dec. 21	57 days	4 %
First Federal Foreign Banking Association N. Y. (AB)	Dec. 1-19	37-55 days	4⅛ %
International Acceptance Bank, N. Y. (AD)	Dec. 1- 6	37-42 days	4 %
Metropolitan National Bank, Minneapolis (AB)	Dec. 18	54 days	4¼ %
SIXTY-ONE TO NINETY DAYS			
Asia Banking Corporation, N. Y. (AB)	Jan. 18-23	85-90 days	4⅛ %
Bankers Trust Company, N. Y.	Jan. 19	86 days	4 %
Brown Brothers & Company, N. Y. (AB)	Jan. 2-11	69-78 days	4⅛ %
Central Union Trust Company, N. Y.	Jan. 8	75 days	4 %
Chemical National Bank, N. Y. (C)	Jan. 19-22	86-89 days	4 %
Equitable Trust Company, N. Y. (C)	Dec. 28-Jan. 16	64-83 days	4 %
French-American Banking Corporation, N. Y. (AB)	Dec. 27-Jan. 8	63-75 days	4⅛ %
International Acceptance Bank, N. Y. (B)	Jan. 4-19	71-86 days	4 %
International Banking Corporation, N. Y. (BE)	Jan. 4-16	71-83 days	4 %
Irving National Bank, N. Y. (B)	Jan. 15-18	82-85 days	4 %
Lee Higginson & Company, N. Y.	Jan. 2	69 days	4⅛ %
MORE THAN NINETY DAYS			
Bank of Manhattan Company, N. Y.	Jan. 26	93 days	4 %
Merchants Loan & Trust Company, Chicago (ABC)	Jan. 24	91 days	4 %

Denominations: (A) $5,000; (B) $10,000; (C) $15,000; (D) $20,000; (E) $25,000; (F) $50,000; (G) $100,000. These quotations are for payment in New York.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	GILT EDGE.			
	(e) Railroads.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	92½	6.81	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	85⅜	5.28	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	88¼	4.92	1.68
4.	Southern Pacific (b) 1st Ref. 4s, 1955	87¼	4.77	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	87½	4.73	2.40
6.	N. Y. Central Genl. Mtg. 3½s, 1997	76	4.65	1.89
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	91	4.86	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	87¼	4.83	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	91	5.02	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	82¼	4.80	**
11.	Norfolk & Western (c) Cons. 4s, 1996	88	4.54	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	110	4.53	1.40
13.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	81½	4.95	1.00
	(e) Industrials.			
1.	Armour & Co. (a) R. E. 4½s, 1939	89⅝	5.46	†
2.	General Electric (b) Deb. 5s, 1952	102	4.86	6.75
3.	International Paper (a) 5s, 1947	90	5.77	5.55
4.	Indiana Steel (a) 5s, 1952	100½	4.97	16.70
5.	Liggett & Myers (aa) Deb. 5s, 1951	98⅛	5.12	4.65
6.	Baldwin Loco. (a) 5s, 1940	102¼	4.81	3.50
7.	National Tube (a) 5s, 1952	100½	4.97	**
8.	Corn Products (a) 5s, 1934	101½	4.85	60.70
9.	U. S. Steel (a) 5s, 1963	102⅜	4.85	8.70
	(e1) Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	102¼	5.83	3.40
2.	American Tel. & Tel. (c) 5s, 1946	97	5.22	4.80
3.	Philadelphia Co. (c) 6s, 1944	100⅜	5.97	3.50
4.	N. Y. Telephone (b) 4½s, 1939	95¼	4.92	**
5.	Montana Power (c) 5s, 1943	97½	5.20	2.90
6.	Col. Gas & Electric (a) 5s, 1927	95½	6.10	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	99⅛	5.06	2.10
8.	Pac. Tel. & Tel. (a) 5s, 1937	96½	5.35	1.75
	MIDDLE GRADE.			
	(e1) Railroads.			
1.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	92	5.76	2.40
2.	Ches. & Ohio (b) Conv. 5s, 1946	95⅞	5.27	1.55
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	84	6.07	.75
4.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	72	6.12	1.60
5.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	82	5.29	0.80
6.	Illinois Central (b) Col. Trust 4s, 1952	84¼	5.03	2.25
7.	Pere Marquette (c) 1st Mtg. 5s, 1956	97	5.18	2.05
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	68¼	5.15	1.70
9.	Southern Pacific (b) Col. Trust 4s, 1949	86	4.90	2.40
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	81	5.00	2.00
11.	Chic. & Eastern Ill. (c) Gen. 5s, 1951	81¼	6.36	2.10
	Industrials.			
1.	South Porto Rico 1st Mtg. 7s, 1941	100⅝	6.95	5.50
2.	Sinclair 1st Lien, Col. Tr. 7s, 1937	101¼	6.86	3.70
3.	Wilson & Co. (a) 1st 6s, 1941	100	6.00	2.10
f 4.	Adams Express (b) 4s, 1948	80	5.47	2.60
5.	Comp. Tab. & Recording (b) 6s, 1941	97½	6.23	5.45
6.	Int. Merc. Marine (b) 6s, 1941	91	6.85	5.15
f 7.	Lackawanna Steel (c) 5s, 1950	91	5.64	6.90
8.	U. S. Rubber (c) 5s, 1947	87½	5.98	2.35
9.	Amer. Smelting & Refining (c) 5s, 1947	94	5.45	5.00
10.	Goodyear Tire (c) 8s, 1941	116	7.00	9.55
	(e) Public Utilities.			
1.	Public Service Corp. of N. J. (a) 5s, 1959	86½	5.90	1.50
2.	Detroit Edison (c) Ref. 5s, 1940	97	5.26	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	98¾	5.09	*1.35
4.	Northern States Power (b) 5s, 1941	91½	5.75	1.80
5.	Brooklyn Edison (c) 5s, 1949	94⅝	5.38	2.20
6.	Utah Power & Light (a) 5s, 1944	92	5.64	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	93½	5.68	1.70
	SPECULATIVE.			
	Railroads.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	65½	6.70	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	79¾	7.10	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	78⅛	7.17	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	78½	7.82	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	61	8.23	.75
6.	Erie (a) Genl. Lien 4s, 1996	51½	7.79	0.70
7.	Southern Railway (a) Genl. Mtg. 4s, 1956	68	6.32	1.85
8.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	63¾	6.43	.90
9.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	90½	5.95	1.40
10.	Chic. Gt. Western (a) 1st 4s, 1959	50½	8.35	....
11.	Int. & Gt. Northern Adj. 6s, 1952	52⅛	11.88	0.60
	Industrials.			
1.	Chile Copper (b) 6s, 1932	94¼	6.83	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	105	6.80	2.75
3.	American Writing Paper (a) 6s, 1939	84½	7.70	1.90
4.	American Cotton Oil (a) 5s, 1931	88½	6.80	3.15
5.	Cuba Cane Sugar (c) 7s, 1930	85½	9.92	1.80
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	83	6.20	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	77⅜	6.55	1.60
3.	Third Avenue (b) Refg. 4s, 1960	67	6.32	*1.20
4.	Va. Railway & Power (a) 5s, 1934	86½	6.62	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500. (d) Lowest denomination, $50
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.

(x) This issue was created on May 1, 1921. † This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920. * Number of times over interest on these bonds was earned. ** Earnings are not reported separately. ‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered. (e) Bonds in this group should no longer be purchased. They appear now as a matter of record only. (e1) Bonds in this group should no longer be purchased with the exception of Duquesne Light 6s, Phila. Co. 6s, M., K. & T. 5s, Frisco 4s, & Chi. & E. Ill. 5s. (f) These bonds should no longer be purchased. They appear as a matter of record only.

BONDS DECLINE IN ACTIVE MARKET

All Grades of Bonds Subject to Pressure—Few Strong Spots

THE outstanding event of the bond market during the past two weeks was the extraordinary weakness of Government issues with an average decline of over three points. Even the new 4¼% bonds recently put out declined below par, which was the offering price. It is not necessary to go far afield to find the reason for this behavior. Since the new Government financing, it has gradually become manifest that large institutions would be unwilling to hold Liberties on under a 4¼% basis and their selling price now is merely an acknowledgment of the new status of Government credit.

Furthermore, many large institutions and wealthy individuals have had very large profits in Government issues, bought at a time when they were selling under 90, and the inducement to take profits at this time is a particularly keen one, especially in view of the general opinion that an early advance in Liberties is not likely.

Aside from this, the main development in the bond market was a decided tendency toward weakness with practically all classes participating in the decline. Railroad issues were as weak as any other groups, some especially large declines being noted in this department of the market. Gilt-edge railroads now show an average return of 4¾% against 4½% several months ago. This too may be taken as a reflection of the higher money rates.

Foreign Governments were very weak, particularly the French issues, concerning which there is growing doubt in view of the increasing financial difficulties in which the French Government finds itself involved. Even "neutral" issues were influenced, a sign of what is likely to happen in the event of a drastic denouement to the unfavorable situation in Central Europe and France.

Generally speaking, bonds are under the influence of the less favorable money rates now in effect and the process of readjustment to these rates now in evidence is likely to continue for some time further. In that event, investment in these issues at the present time hardly seems warranted except for investors who are only concerned with the element of income. Profit-making opportunities still exist on a large scale, however, but it would be worth while to wait until the present uncertainty in bonds disappears before making any new commitments.

Note: With this issue, foreign bonds are eliminated from the recommendations contained in the Bond Buyers' Guide. During the past few weeks their position has been rendered uncertain by the unsettling events in Europe and we no longer feel warranted in recommending these issues, either for investment or profit.

September Net Earnings Decline

Volume of Traffic Large, But Net Falls Far Below 1921 Level

By ARTHUR J. NEUMARK

ON the face of things, the September rail earnings are extremely disappointing. Despite the largest volume of traffic of any month of the current year, net operating income was far below that for the corresponding month of 1921 and considerably below the average net operating income for the five-month period ended July 31st, 1922. It should not be thought, however, that this poor showing results from reduced freight rates. The fact that gross operating revenue exceeded gross of September, 1921, on many roads, shows clearly that, given a good-sized volume of traffic, the railroads will be able to report satisfactory gross revenues. The large declines in net operating income were brought about almost entirely by extraordinary expenditures incidental to the protection, lodging and feeding of the shop crafts workers recruited during the strike. Practically all the carriers incurred large additional expenses in breaking the shopmen's strike, greatly reducing September net earnings.

CLASS I ROADS

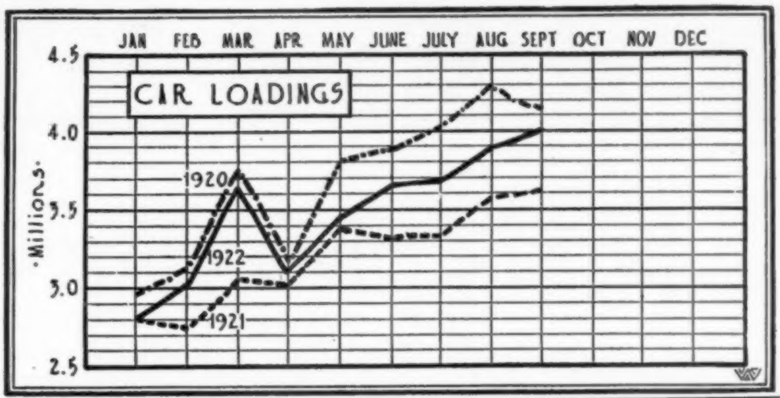
(000 omitted)

	Net oper. income	*Month's normal earnings to give a 6% return
October, 1921	$105,458	$114,400
November	66,198	100,328
December	55,000	91,200
January, 1922	29,530	74,100
February	47,770	68,000
March	83,511	78,000
April	50,271	88,500
May	61,980	89,000
June	76,594	97,500
July	69,239	103,200
August	52,579	113,400
*September	56,000	125,000

* Estimated.

With the shopmen's strike settled during September there were no unfavorable factors to reduce October earnings. Car loadings for the first three weeks of the month broke all previous records for this year. Loadings for the week ended October 21st exceeded the 1,000,000-car mark for the first time since August, 1920, and was within 5,000 cars of the number loaded for the corresponding week of 1920. Business activity continues to expand and crop movements, while heavy, are still being hampered by the car shortage. Many embargoes have been placed on all classes of commodi-

(*Please turn to page 77*)



ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON FIRST NINE MONTHS OF 1922

The following table is compiled on the actual average percentage of the first nine months' net operating income to the total traffic year for the past ten years for each individual railroad.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	$8.60
Atlantic Coast Line	....	....	....	18.80
Baltimore & Ohio	....	90	....	....
Buffalo, Roch. & Pittsburgh	$376,546	....	....	....
Canadian Pacific	....	....	....	9.00
Carolina, Clinch. & Ohio	....	....	....	4.40
Chesapeake & Ohio	....	....	....	11.65
Chicago & Alton	....	12	....	....
*Chicago & Gt. Western	....	15	....	....
Chicago, Mil. & St. Paul	....	61	....	....
*Chicago North Western	....	....	....	7.55
Chicago, Rock Island Pacific	....	....	....	.25
Chicago, St. Paul, Minn. & O.	....	....	....	2.15
Cleve., Cinn., Chic. & St. Louis	....	....	....	16.40
Colorado & Southern	....	....	....	7.40
Delaware & Hudson	....	25	....	....
Delaware, Lackawanna & Western	....	....	....	3.40
Erie	$1,257,288	....	....	....
Great Northern	....	....	[6]4.50	....
Illinois Central	....	....	....	14.65
Kansas City Southern	....	....	....	2.65
Lehigh Valley	....	20	....	....
Louisville & Nashville	....	....	....	16.80
Missouri, Kansas & Texas	....	....	....	2.05
Missouri Pacific	....	84	....	....
New York Central	....	....	....	7.00
N. Y., Chicago & St. Louis	....	....	....	[2]18.65
N. Y., New Haven & Hartford	....	56	....	....
N. Y., Ontario & Western	....	....	....	.35
Norfolk & Western	....	....	....	16.40
Northern Pacific	....	....	....	3.20
*Pennsylvania	....	....	....	[1]6.90
Pere Marquette	....	....	....	7.55
Pittsburgh & W. Va.	....	....	$4.00	....
Reading	....	....	[8]1.35	....
St. Louis, San Francisco	....	....	....	1.80
St. Louis-Southwestern	....	....	....	12.25
Seaboard Air Line	....	[7]71	....	....
Southern Pacific	....	....	....	[3]8.45
Southern Railway	....	....	....	1.10
Texas & Pacific	....	....	....	2.35
Toledo, St. Louis & Western	....	....	....	15.00
Union Pacific	....	....	....	9.30
Wabash	....	....	[5]2.70	....
Western Maryland	....	....	[9]1.75	....
Wheeling & Lake Erie	....	63	....	....

[1] $50 par value. [2] After 5% on the common stock, all classes of stock share equally. [3] Without oil income and after capital adjustments. [5] Assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. [6] Only class of stock outstanding. [7] Exclusive of interest on adjustment income bonds. [8] On the 4% second preferred. [9] On the 7% first preferred.

* On basis of first eight months' earnings.

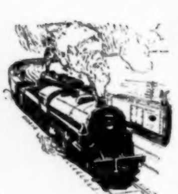
Freight terminal and shops of the Missouri Pacific at Little Rock, Arkansas

One of the thousands of farms along the route of the Missouri Pacific

Strikes Injure Missouri Pacific

Payment of Accumulated Dividends on Preferred Stock Postponed—Outlook for the Road

By JOSEPH M. GOLDSMITH



THE Missouri Pacific, which is one of the oldest roads in the west, now operates 7,300 miles of line and radiates southward and westward from St. Louis, assuming the shape of a wide-open fan. The earliest portion to be built is that section between St. Louis and Jefferson City, Missouri, the construction of which was started in 1851 by a corporation known as the Pacific Railroad of Missouri. By a process of extension and amalgamation the system was gradually enlarged. In 1881 the stock of the St. Louis, Iron Mountain and Southern, which operated a line from St. Louis down the west bank of the Mississippi River to New Orleans, was acquired by the Missouri Pacific in exchange for its own shares. The present Missouri Pacific R. R. Co. was incorporated March 5, 1917, as a merger of the Iron Mountain and the old Missouri Pacific Railway, both of which were then in receivership.

It can readily be seen that the "Mop," which is the nickname ordinarily applied to it, comprises two distinct parts. The original Iron Mountain line connecting St. Louis with the Gulf; and the old Missouri Pacific proper, forming the middle section of the Gould Transcontinental route. The western parts of this were the Denver and Rio Grande and the more recently constructed Western Pacific, while the eastern connection at St. Louis was the Wabash. The two parts of the Missouri Pacific system are separated except for two so-called bridge lines which connect them, by the Ozark Mountains and foothills, a sparsely populated and unproductive area occupying southern Missouri, northwestern Arkansas and Eastern Oklahoma. With its affiliated Gould lines, the Texas & Pacific and the International & Great Northern, the Mop possesses a direct route to Galveston as well as the shortest route from St. Louis into Mexico.

Character of Reorganization

Missouri Pacific, as mentioned before, was reorganized in 1917 and this readjustment was rather drastic in character. The amount of its fixed interest-bearing securities was cut down by over 60 millions and its annual interest charges by about 3.5 millions. The percentage of its capitalization represented by funded debt was reduced from 78% to 61%, a wholesome and much needed change and apparently sufficient to place the road's fixed charges clearly within its ability to meet them. So far its actual earning power under the new capital structure has not had a fair test. The unfavorable operating conditions incident to the war made a good showing impossible. In the current year, in the first part of which reasonably good results were being obtained, the coal strike with the consequent decrease in tonnage and the shopmen's strike which increased tremendously the cost of operation, will make the Mop's showing for 1922 less favorable than it otherwise would have been.

Price Range—Missouri Pacific Preferred

	High	Low
1917	49⅛	23½
1918	55½	33⅜
1919	58¾	37½
1920	62	41
1921	61	37½
1922	63¾	45½

Price, October 30th, 1922—53.

The important factor in railroad operation is the volume and character of traffic moving over the road's lines. Railroading to a greater extent than is true of most businesses is subject to the law of increasing returns, for additional traffic does not necessitate a proportionate increase in operating expenditure. A comparison of the freight density of the various roads operating in the geographical district occupied by the Mop is very favorable to the latter. It enjoys a larger volume of traffic per mile than the St. Louis-San Francisco, or the Missouri, Kansas and Texas, or St. Louis Southwestern. The average rate at which this traffic is carried is rather low, due to the fact that a large part, consisting of bulky products such as coal and lumber, is handled at low rates. Consequently, although carrying more freight per mile, the gross revenue which it obtains, measured on the same basis, is on the average less than that of its main competitors.

The most lucrative traffic that the Mop has is the grain traffic of Kansas, but for this it has to compete with the Atchison. Despite the efforts of the Missouri Pacific to appear as a transcontinental road its western business

is not so important. At Pueblo, Colorado, it interchanges with the Denver & Rio Grande but the volume is not great. This is due to the fact that the latter road is not at present equipped to handle freight economically and expeditiously. Its heavy grades and sharp curves make it impossible to send over it shipments that must be transported rapidly, such as fruit or vegetables, which furnish such a profitable traffic for the Atchison and Southern Pacific. On the whole, it is not a very satisfactory western connection.

Missouri Pacific is predominantly a north and south road whose function is to connect the Missouri River gateways with the Gulf ports. The tentative plan of the Interstate Commerce Commission to consolidate the railroads of the United States into a limited number of systems classifies the Mop as a Southwestern-Gulf road, and proposes to group it with the Kansas City Southern and the Texas Pacific, which serve this territory.

Although the Missouri Pacific earnings per train mile have increased three-fold in the last decade and trains are loaded very heavily, which is productive of economy, the proportion of its total revenues absorbed by operating expenses has been relatively high. Its facilities are being adequately maintained and in so far as the high operating ratio is due to liberal appropriations for maintenance no fault is to be found. Nevertheless there remains room for improvement in regard to actual transportation expenses. Virtually all its main line track is laid with rails weighing 85 pounds or more to the yard, and the average tractive power of its locomotives and the size of its cars has been steadily increasing. By improving its roadway and equipment in this manner the Mop's operating ratio ought to be reduced considerably.

Past Earning Record

The Missouri Pacific earning statements, with few exceptions, have not been such as to inspire particular enthusiasm in its stockholders. Although in 1917, the most profitable year the road ever experienced, net income available for dividends amounted to nearly $9,000,000, or the equivalent of $12.50 per share on its preferred stock, more frequently the net income has been very small and in a number of cases even interest charges were not fully covered. All the roads, strong and weak alike, were severely hit by the war, but it seems only a question of time before those possessing ample earnings in the past will regain their former status. In the case of the Mop, however, more than a mere return to its pre-war position is highly desirable.

The most superficial scrutiny of Missouri Pacific's security holdings in affiliated roads, will go far to explain the small net income ordinarily remaining for the stock. It served as a hub around which the newer Gould roads were built. Mop furnished funds to aid in the construction of the other lines that could not at that time readily raise money themselves, and in many cases have considerable difficulty now.

Missouri Pacific's 1921 balance sheet shows that it owns 10 milllons Denver & Rio Grande common stock, and it formerly owned much more; and also 10 millions Texas & Pacific common. Just what these stocks cost it is impossible to say, but they are carried by the company along with a few minor holdings at a book value of $669,000, and a corporation seldom undervalues its investment holdings. It also owns $23,700,000 Texas & Pacific 2nd Income Bonds, from which it receives nothing. Interest is payable only if earned and it is not earned. In spite of the vast sums sunk in these unproductive channels Missouri Pacific's capitalization is not high, being only about $54,000 per mile. Nevertheless a great deal of its mileage consists of lightly built branch lines constructed at a low cost. Had the road not been milked in this fashion the capitalization upon which it would have to earn a return would not be so large.

Character of Territory

A railroad's destiny is most intimately connected with the progress of the territory which it serves. It is with this more than with all other factors combined that one is most deeply concerned in attempting to forecast the future of a given road. The history of our western lines such as the Atchison, Union Pacific and Northern Pacific will illustrate this point. Before 1900 the territory which they traversed did not produce sufficient revenue to enable them to meet their financial obligations and repeated receiverships were the result. Now that the west has been built up, from a credit standpoint, they are among the strongest roads in the country.

It is in the development of the territory that the Mop serves that its own future is inextricably bound up. Its mileage is mainly in Kansas, Missouri, Arkansas and Louisiana and this region has not proven a very lucrative field for railroad enterprise. The numerous reorganizations which have proven necessary in the last few years gives abundant evidence of this. The 'Frisco was reorganized in 1916, the Mop a year later, the Katy is now going through the reorganization mill, as is also the International and Great Northern. These four constitute about 70% of the railroad mileage of the entire Southwestern-Gulf district. The cause of the relative unprofitableness of the railroads of this region as compared with those in other geographical sections is to be found in the over-extension of railroad facilities in proportion to the traffic available.

The rate of increase of population has lagged behind that for the country as a whole and the manufacturers of

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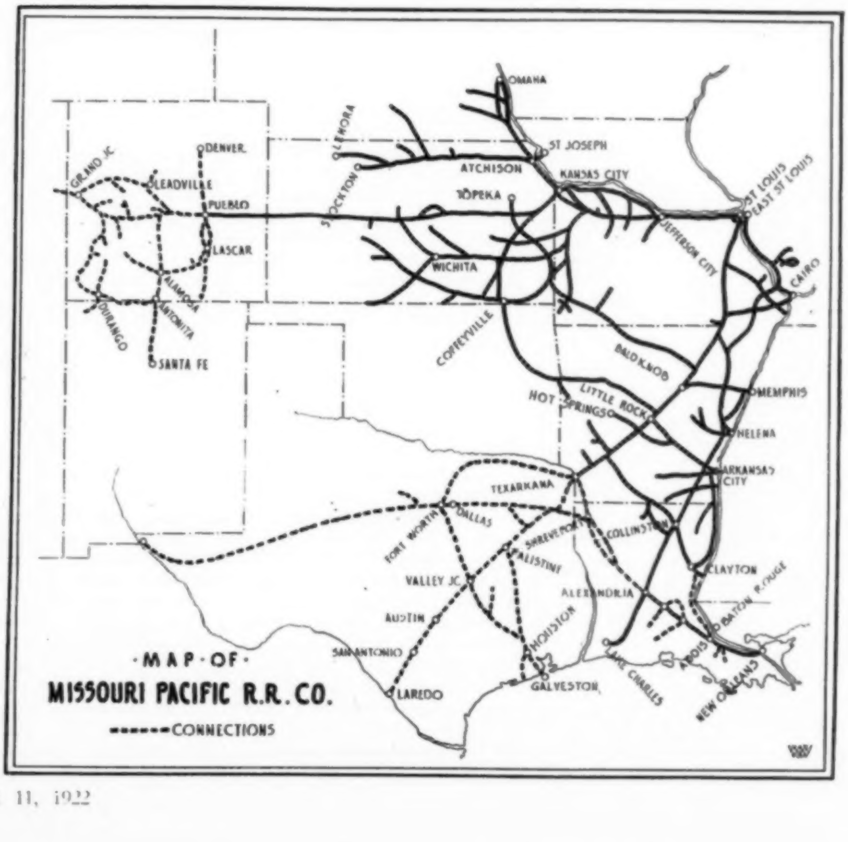


Money, Banking and Business

Industrials at the Turning Point

Review of Present Position and Immediate Prospects of Laggards in the Industrial Group

By ROBERT STANLAWS

THE current year, for the majority of our industries, has been a period of gradual readjustment and recovery from the acute depression of 1921, during the course of which certain members of the business structure have, by their intense activity, assumed a definite leadership far in advance of their less fortunate fellows.

The building industry, for example, broke all previous records for volume of construction in this period, while the leather companies were still struggling, by reduced production, to work off excessive stocks. Likewise, the motor companies were running far ahead of former monthly production figures at the same time that chemical producers were operating on a greatly restricted schedule, and so on down the line. The equipment companies have been receiving more orders than at any time since 1916, the public utilities have had a generally prosperous year, the iron and steel and the tobacco industries turned the corner early in the year, while lead and zinc have steadily increased in price as the strong position of these metals steadily became stronger.

The greater number of industries are, however, still in the backward column, as measured by the progress of those enumerated above, lagging behind in varying degrees. Despite the improvement in business conditions as a whole, therefore, the picture is by no means a clear one, conditions are still spotty.

Those industries which appear to have rounded the corner, and those which seem to be in the best position to do so, are the subject of discussion in this article. Some of these have undoubtedly progressed further than others while there are still a few which have yet to give more definite indications of improvement before they may safely be included. Good times for the shipping and agricultural implement companies, for instance, are likely to be postponed for a considerable period and the petroleum industry is in too uncertain a position to admit of inclusion in the list.

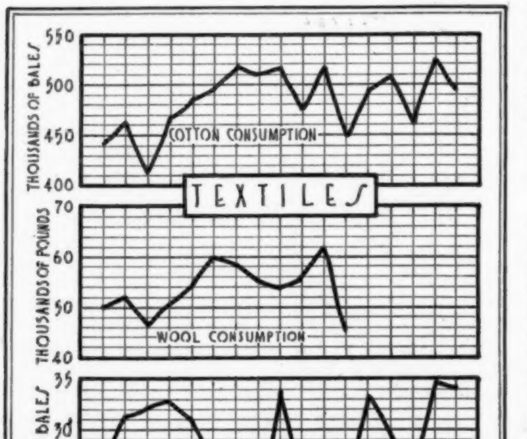
The question as to how far the stock market may or may not have discounted the prospects of these industries can only be determined by an analysis of the individual companies within each group, with respect to its position in the industry, earning power, financial strength, management and other pertinent factors. Since it is the sole purpose of this discussion to point out the trade position, all reference to security market aspects has been omitted.

Textiles Reach Stronger Position

Higher Prices—Demand and Production Increasing

THE textile industry spent a very considerable portion of the year in a losing struggle with its employees, a strong effort having been made to deflate wages. Unfortunately for the New England mills, expanding industrial activity has absorbed the available labor supply thus compelling the companies to maintain labor costs at a high level. At the same time, the steadily rising trend of cotton, wool and silk prices has increased the cost of finished goods throughout the textile industries.

With production costs thus rising uniformly the manufacturers found it imperative to advance selling prices in all lines despite the fact that the trade is still disposed to resist increases. In the face of these unfavorable factors it would seem to require a rather hardy brand of optimism to become enthusiastic over the outlook. Nevertheless, there are a sufficient number of offsetting influences to make it reasonably certain that the industry has turned the corner.



Hand to mouth buying had so long been in vogue that stocks of goods in distributive channels were reduced to low levels and, furthermore, the enforced curtailment of operations of cotton and woolen mills during the prolonged strike period contributed added strength to the situation by reducing the available supply. In the silk industry, production was voluntarily restricted by manufacturing interests in order to reduce stocks.

The demand which began to manifest greater activity recently, has been well maintained and has continued to broaden. Production since the reopening of the mills, following the ending of the strikes, has steadily increased and is now more active than at any previous time in nearly two years. Difficulty is still experienced by distributors in passing the price advances, occasioned by advancing production costs, along to the consumer, but this difficulty is not so clearly evident as heretofore.

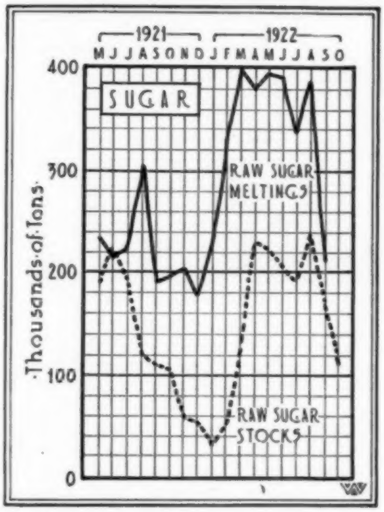
That textile profits, in the near future at least, will be small, seems certain, but they should be fairly satisfactory inasmuch as the marked expansion in rate of operations will permit manufacturers to reduce the unit cost of goods by employing their plants at the fullest capacity. The conclusion is, therefore, that the textiles have left their period of depression behind them.

Sugar Trade More Hopeful

Difference in Position of Producing and Refining Companies

STIMULATED by the heavy consumption of refined sugar in the first half of the year, sugar prices staged a sharp come-back from the low levels to which the depression had carried them. The decided reaction which subsequently set in during September, cancelled a good part of the gain, however, and it was only lately that the strong position of the commodity reasserted itself, by recovering practically all of the loss.

Whereas the supply of Cuban raws stood at almost 1.9 million tons about this time last year, it is now down to



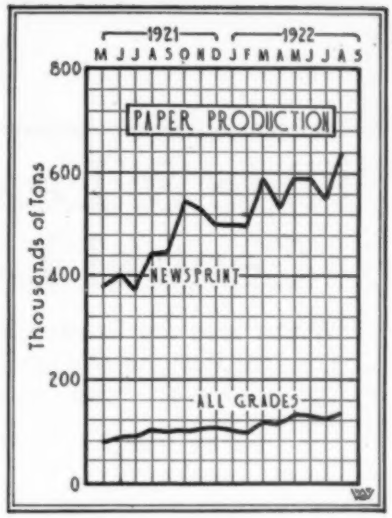
slightly more than 0.3 millions of tons. Rapid growth in consumption has thus reduced the burdensome supply of 1921 to a figure approaching a shortage. That a scarcity will result is not to be expected, however, since the new Cuban crop will be available next month and there is a sufficient quantity of the domestic crop on hand to relieve the situation.

The European crop is now estimated at 225,000 tons for this year, or 5% above that of the preceding season. This is a reduction from the earlier forecast of an output 10% better than 1921. The beet-sugar crop in this country will be considerably less than a year ago but the Cuban output was somewhat larger. The Porto Rican crop is smaller. All in all, there has been no increase in the supply to correspond with the growing world consumption of the commodity and the statistical position of sugar is entirely sound.

The tariff is rather unfavorable to the refiner since the cost of raws is increased, although it is likely that the consumer will eventually have this passed on to him. Since the tariff went into effect the price of both raw and refined sugars has advanced, but the largest part of this rise has been due more to the possibility of a temporary stringency in supply than to the slightly higher price occasioned by the new duty.

Sugar-producing companies will not begin to reap the fullest measure of benefit from the improvement in raws until the new crops are brought to market, but with the prices now prevailing, these companies should show a considerable improvement in earnings over last year.

The refiners are not so fortunate, since the tariff has increased the amount of capital they must tie up in the purchase of raws and increased production costs must be passed along to the consumer. Whether this can be done successfully without cutting down the demand or whether the refiners will elect to compromise by bearing part of the burden, remains to be seen.



Outlook for Paper

Steady Expansion of Production

IF we were to consider the newsprint branch separately, it might well be said that the paper industry had turned the corner some time ago. Activity in this division compares favorably with the building industry's record-breaking performance and the manufacturing records of this year's motor car producers. Paper mills have been forced to steadily expand their rate of operations in order to meet the demand for newsprint. Consumption gives every promise of bettering all previous yearly records as a result of the tremendous growth in demand that has been in evidence since the beginning of the current year. Larger editions of daily newspapers, increased circulation and more extensive advertising by business concerns are the influences governing this unprecedented demand which should be well maintained.

An unfavorable feature of the situation is to be found, however, in the very marked expansion in productive capacity which took place in recent years. This tends to prevent employment of mill capacity to the fullest possible extent despite the growth in demand, and accentuates competition, thus affecting prices and earnings.

Recovery in other branches has not kept pace with the market leader and it is for this reason that the industry as a whole may only be said to have turned recently. With the ending of the coal and rail strikes, business in all other papers has begun to show more life and demand is expanding in all directions, although nothing like the activity of newsprint seems likely to be manifested in the near future.

The demand is strong, however, and in some cases exceeds production. Producers withdrew quotations on boards, tissue, book and fine papers as a result of the uncertainties following the twin strikes, re-establishing them at materially higher levels when the labor disturbances were eliminated. The trend still remains upward and even higher quotations appear to be in order. Newsprint prices, on the other hand, will probably rule close to current levels around $75 a ton for contract and $80 a ton for spot. **Making due allowance for these irregularities, the paper industry faces an active and reasonably satisfactory period.**

Chemicals

A More Optimistic Tone Sounded

ALTHOUGH the chemical and allied trades are still hesitating, the industry as a whole is now in a much better position than it has been at any time in the past two years. Just as the chemical industries declined with business conditions generally, so they should now be facing a period of increasing activity as the volume of production in basic industries such as iron and steel and the manufacture of commodities such as paper, leather and textiles, continues to expand.

Production of chemical products has been on a restricted basis for an extended period with the result that efforts to work off surplus stocks have gone much further than had been anticipated. Generally speaking, supplies are light, in fact an actual shortage now exists in many lines. This is particularly true of those items of which the Government held large stocks of

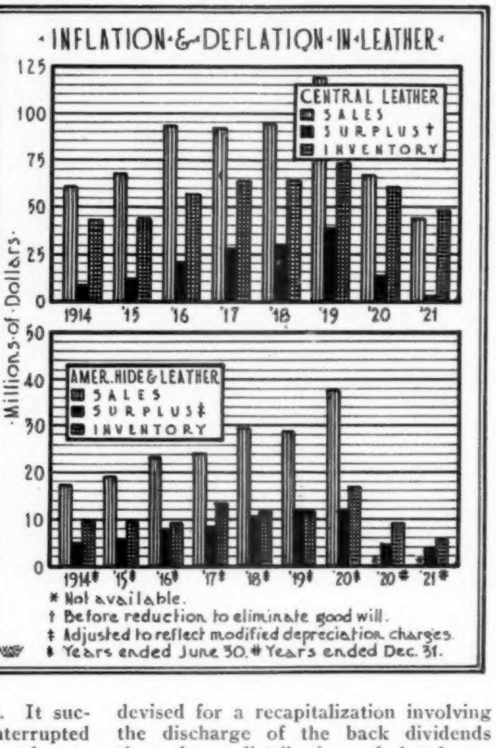
(Please turn to page 86)

Industrials

Hide & Leather *vs.* Central Leather

Which Has the Greater Earning-Power?—Unusual Position of Hide and Leather Preferred—An Estimate of Future Earnings

By BENJAMIN GRAHAM



THE third quarter of 1922 apparently marked the turning point in the leather industry. After a period of depression almost unexampled in length and intensity, the leading companies are again on a profitable basis. Hide prices have scored substantial advances, followed to a lesser degree by strength in the leather market. The report of Central Leather for the three months ended September 30 shows the preferred dividend covered with a slight margin, as contrasted with a long series of previous deficits. The corresponding figures of American Hide & Leather have not been published at this writing, but estimates considered reliable place the profits for the period at the annual rate of about $10 per share of preferred stock.

With the hectic chapter of war inflation and deflation at last brought to a close, it may be well to ascertain in what condition and with what prospects these two leading companies are embarking once more upon a normal basis of operations. We shall try to form some estimate of their average future earning power, thereby to determine how their various securities compare in attractiveness at present prices. The elements to be considered are the following:

1. The actual and relative position of the two companies before the war.
2. The permanent effects of the war and post-war periods.
3. The current financial condition and earning power, as evidenced by recent data.

Central Leather is a very much larger enterprise—as measured both by capitalization and turnover. Its product is chiefly sole leather while the American company concentrates on the manufacture of upper leathers. Thus the two companies are not competitors, yet the prosperity of both is vitally affected by conditions in the shoe trade. Sole leather is tanned by oak and hemlock bark, while upper leather is tanned by chemicals. Hence Central Leather finds it necessary to hold extensive timber lands, equipped with saw-mills, logging lines, etc. These operations in turn lead to heavy sales of hard-wood lumber, as an important by-product. Am. Hide & Leather, however, finds it advisable to purchase its tanning materials.

Both companies were formed during the trust era of twenty-odd years ago as amalgamations of numerous competing units. Following the usual practice, a liberal proportion of water was injected in the property account. While neither company made an especially brilliant exhibit prior to the war, Central Leather shone at least by comparison. It succeeded in maintaining uninterrupted dividends on its preferred, and was gradually building up a moderate earning power for its common. But American Hide and Leather seemed unable to realize an adequate profit on its sales. It was handicapped further by the unusually onerous sinking fund provisions of its bond issue, so that the balance available for the preferred shares was made to appear even scantier than the meagre reality. In seventeen years it was able to pay a total of just 3% in preferred dividends, the accumulations finally exceeding 100%.

Their Pre-War Record

Table entitled Average Pre-War income account presents an income account based on the average results for the five years preceding the war, but with certain adjustments for bond interest and depreciation in order to reflect current requirements. These figures must be considered in connection with the present capitalization of the companies, as detailed in Table showing present capitalization. We leave Am. Hide & Leather *common* out of account entirely, because the 125% of unpaid dividends on the 7% cumulative preferred entitle the senior shares to all conceivable future earnings of the enterprise. The common stockholders seem condemned to maintain a purely academic interest in the affairs of their company. During the war, plans were devised for a recapitalization involving the discharge of the back dividends through a distribution of bonds or stock. These schemes were not accepted, nor can any logical reason be adduced for the preferred stockholders to commute their claims in order to benefit the common shares.

Am. Hide & Leather preferred, representing thus the entire capitalization of the company, has a current market value of only about half the average pre-war sales. Central Leather's three classes of securities aggregate $67,000,000 in market price, or somewhat in excess of its annual turnover. Otherwise stated, Central Leather is capitalized twice as heavily in comparison with its volume of business. This should be an important advantage in favor of the American company, for with the same margin of profit on its sales it should earn double as much on its capital. The actual results, however, have been just the opposite, because its ratio of net to gross has always been abnormally low. The average pre-war figures, given in our table, show a profit margin of only 4¼% on its total business, as against over 9% for Central Leather. After allowing for depreciation, American Hide & Leather's net works out as only 5.40% on its capitalization, while Central Leather has earned 6.85%. On the latter's stock capitalization alone the available balance averages over 8%.

These figures of pre-war income indicate a great *potential* advantage for

Am. H. & L. (in its simpler and smaller capitalization), but an equally great *actual* superiority of Central Leather in its final net profits. It may be thought that the extraordinary changes wrought by war influences would completely destroy the significance of such ancient statistics. Yet the influence of the war on these enterprises was most peculiar—exceptionally violent, and still strangely transitory. To most industrials the great upheaval has left some permanent legacy—increased plant capacity, larger working capital—or, conversely, a heritage of debt. But the leather companies were borne high on the crest of war prosperity, then dashed into the lowest abyss of deflation—to land finally almost exactly where they started a decade before.

Back Where They Started

The appended graph traces the rise and fall of gross sales, inventories, and surplus during the past ten years. The lines show clearly the fictitious character of their dazzling profits—their prosperity based entirely on price and not on volume; their enormous surplus representing merely the marking up of inventory values. For comparative purposes we have omitted from our figures the arbitrary reduction of $8,126,000 made in Central Leather's surplus in 1919, through writing off the good-will item in the property account. This conservative action seemed well justified by the huge surplus balance at the time, but it is directly responsible for present $6,800,000 deficit in profit-and-loss.

Said deficit is undeniably a serious matter for the preferred shareholders. It implies the postponement of all dividends until it is made up out of earnings—a two-year wait, or even longer, it would seem. It is true that the company may "doctor" its balance-sheet, either by restoring the good-will item (as Hendee Mfg. did recently), or by changing the par value of its common (cf. Montgomery Ward). But any such procedure must be regarded as improbable.

There is presented in the table showing Comparative Balance Sheets a skeleton balance-sheet of Central Leather at the end of 1921 and 1911. No one could guess from these figures the colossal vicissitudes of the intervening years. The inventory, the working capital, the surplus, are all nearly identical in both exhibits. The only significant change is a substantial reduction in fixed assets on one side, and in funded debt on the other. This represents chiefly the steady depletion of the company's timber holdings, with a corresponding amortization of the bond issue. With American Hide & Leather, the case is very similar. But here the retirement of the funded debt, first effected out of surplus cash, seems now to have necessitated the reduction of inventories to an abnormally low figure.

The absence of any considerable *net* change in the companies' position since 1914 leads us back to the results of the earlier years for guidance in judging the future. American Hide and Central Leather entered 1922 with very nearly the same resources and capacity as in 1912. In fact, their policy has consistently aimed towards reducing their over-numerous plants and concentrating their interests on fewer products. For these reasons the earnings of 1910-1914 were given such detailed attention above.

It is reasonable to hope, however, that Am. Hide & Leather will be able to report better average operating results from now on than in the unsatisfactory years preceding the war. A determined effort has since been made to attain greater efficiency. From 1915 to 1920 the company succeeded in reducing somewhat Central Leather's former great advantage with respect to margin of profit on sales. Although this progress may perhaps have been due solely to war conditions, there is no reason why the company should not maintain the improvement.

The Current Situation

This view is supported by more recent figures, which indicate that Am. Hide & Leather has weathered the storm of deflation somewhat more successfully than the larger concern. Its inventory losses were proportionately as heavy, but they were concentrated within a shorter space of time—from July, 1920, to March, 1921. From that date to the last quarter it operated at a slight profit, while Central Leather was still reporting sizable deficits. Fur-

AMERICAN HIDE & LEATHER VS. CENTRAL LEATHER

PRESENT CAPITALIZATION

	Central Leather			Am. Hide & Leather		
	Par value	Market price (Oct. 27)	Market value	Par value	Market price (Oct. 27)	Market value
Bonds	$26,330,000	99	$26,067,000	....	..	......
Preferred stock	33,299,000	*77	25,640,000	$12,548,000	†70	$8,784,000
Common stock	39,701,000	39	15,483,000	11,224,000	13	1,459,000
			$67,190,000			$10,242,000

* 10½% accumulated dividends to date. † 125% accumulated dividends to date.

COMPARATIVE BALANCE SHEETS

	Central Leather		Am. Hide & Leather	
	Dec. 31, 1911	Dec. 31, 1921	June 30, 1912	Dec. 31, 1921
Fixed assets (net)	*$57,845,000	$41,250,000	$24,106,000	$22,342,000
Inventories	45,675,000	48,404,000	8,819,000	5,887,000
Net current assets	2,751,000	2,782,000	103,000	-94,000
Capital and surplus	*$66,644,000	$66,106,000	$27,203,000	$28,135,000
Bonded debt	39,626,000	26,330,000	5,825,000	....
Total both sides	$106,270,000	$92,436,000	$33,028,000	$28,135,000

* Adjusted for $8,126,000 reduction in good-will item made in 1919.

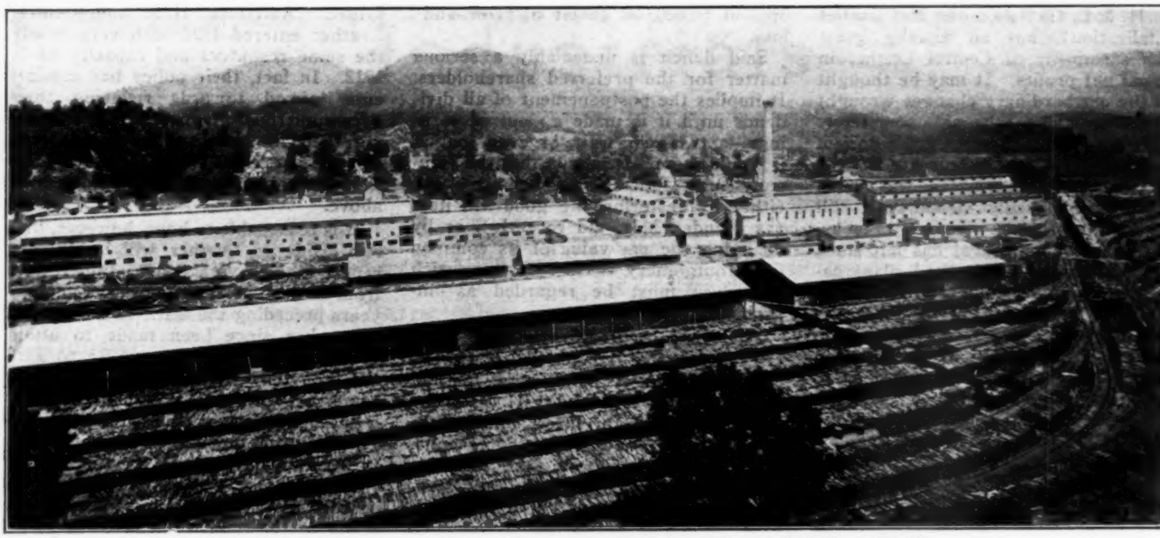
AVERAGE PRE-WAR INCOME ACCOUNT

	Central Leather (5 yrs. ended Dec. 31, 1913)	Am. Hide & Lea. (5 yrs. ended June 30, 1914)
Gross sales	$58,000,000	$17,470,000
Net income	5,340,000	736,000
*Depreciation	750,000	250,000
*Bond interest	1,300,000	......
Balance for preferred	3,290,000	486,000
Balance for common	959,000	......
Earned per share preferred	$9.90	$3.88
Earned per share common	2.42	......

* Adjusted to present requirements.

ESTIMATED FUTURE INCOME ACCOUNT

	Central Leather	Am. Hide & Leather
Gross sales	$70,000,000	$20,000,000
Net profits	7,000,000	1,600,000
Depreciation	750,000	250,000
Bond interest	1,300,000	......
Balance for preferred	4,950,000	1,350,000
Balance for common	2,619,000	......
Earned per share preferred	$14.90	$10.75
Earned per share common	6.60	......
Earned on total capital (present market value)	9.33%	15.37%



The Catawba Tannery of the Central Leather Co. at Old Fort, N. C.

thermore, if the estimates of the September Quarter's results may be relied upon, American Hide is now enjoying a higher earning power than its rival. The unofficial figures of $325,000 net after taxes for this period would be at the annual rate of over $10 per share of preferred—nearly 15% on the present market price of 70. Central Leather's statement showed profits equivalent to about $9 on the preferred and $1.75 on the common. On its preferred and common combined, the results work out as 7½% of market value—only half as attractive as the Am. Hide & Leather showing.

The financial condition of both companies at the close of 1921 was sound. The notes payable were relatively small and are said to have since been reduced. American Hide has undoubtedly a distinct advantage in the absence of funded debt, as contrasted with the maturity of $26,000,000 of 5% bonds which Central Leather will have to meet in 1925. These bonds, however, have enabled Central Leather to carry a larger relative inventory, which may now prove fortunate through the recent advance in hide prices. The slower rise in finished leather is threatening to cut into the tanners' margin of profit, but this discrepancy should be corrected in the natural course of events.

Estimated Income Account

The table presents the writer's idea of a normal future income account for the two companies. Needless to say, it is strictly tentative. American Hide & Leather, be it noted, should earn a substantially higher percentage on its present capital. These figures would perhaps justify the payment of $7 per share on Am. H. & L. Preferred and $4 per share on Central Leather common—in both cases about 10% on the present price. But the absence of senior securities should entitle the former issue to sell on a lower basis of yield.

The results of the above investigation may be summed up as follows:

1. The end of the war period finds both companies in about the same position as before the conflict. Am. Hide & Leather, however, has gained through the retirement of its bond issue, with its onerous sinking fund provisions.

2. Central Leather is the larger enterprise, better thought of in the trade, and with a far superior pre-war record.

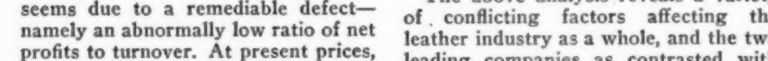
3. But American Hide & Leather's unsatisfactory exhibit of ten years ago seems due to a remediable defect—namely an abnormally low ratio of net profits to turnover. At present prices, its capitalization is only half as large as Central Leather's, in proportion to average sales.

4. Am. Hide & Leather has made somewhat better progress in recovering from the collapse of 1920, and is reported to be enjoying relatively larger current earnings.

5. In comparison with Central Leather Preferred, Am. H. & L. Preferred has a double advantage—first in the absence of prior interest charges, and secondly in its claim upon all the future earnings of the company. Furthermore, the large profit and loss deficit in Central Leather's balance-sheet will apparently delay dividend resumption for quite a while.

6. Central Leather Common is much further removed from dividends, and the heavy prior claims of the bonds and preferred stock make its position essentially more speculative than that of American Hide & Leather Preferred.

The above analysis reveals a variety of conflicting factors affecting the leather industry as a whole, and the two leading companies as contrasted with each other. **The past undoubtedly favors Central Leather, but on the basis of present position and future prospects, the writer would be inclined to select Am. Hide & Leather Preferred as having more investment merit than Central Leather Common and better speculative possibilities than Central Leather Preferred, though the present uncertain position of the market would seem to preclude possibilities of advance in any of these issues in the near future.**



American Linseed Company

Can Linseed Resume Dividends?

Effect of Increase of Building on Linseed's Affairs—Will Short-Term Debt Be Funded?—Position of the Shares

By HENRY FRANKLIN

IN considering the American Linseed Company, the first thought that crops out is the big improvement in building contracts manifested since early in the current year. Linseed oil is used extensively in paint mixtures and, obviously, the more building and repairing, the more painting. In five months, from April to August inclusive, building contracts, as stated by F. W. Dodge & Co., exceeded in each of these months 300 million dollars. Figures on the average were considerably higher than the building contract totals during the war period. A natural assumption is that the demand for linseed oil has increased substantially and that, therefore, the business of the American Linseed Company since the first of the year has been more active than it was last year.

AMERICAN LINSEED
EARNINGS RECORD

	Gross Income	Operating Income	Earned on Common	Yearly Surpluses
1914	$1,924,948	$406,496	....	$306,647
1915	2,519,467	1,081,661	....	1,007,630
1916	2,847,484	1,500,336	$1.82	1,476,817
1917	4,186,043	2,147,519	5.82	1,645,010
1918	4,385,287	2,138,970	5.77	966,470
1919	11,025,777	4,329,243	16.02	2,683,328
1920	13,319,045	6,238,597	1.79	328,984
1921	Not reported	*1,043,132	....	*5,322,782

* Deficits from 1914-1919 year ended Sept. 30. For 1920—15 months ended Dec. 31.

The price level for raw linseed oil has been advancing steadily since the first of the year and the average for the nine months ended September 30th was considerably above the average for 1921 in which year prices receded heavily to prewar levels. The peak occurred in 1918 and 1919 and the drop from the high levels was precipitate, and indicated that companies engaged in that line of business were forced to make thorough adjustments.

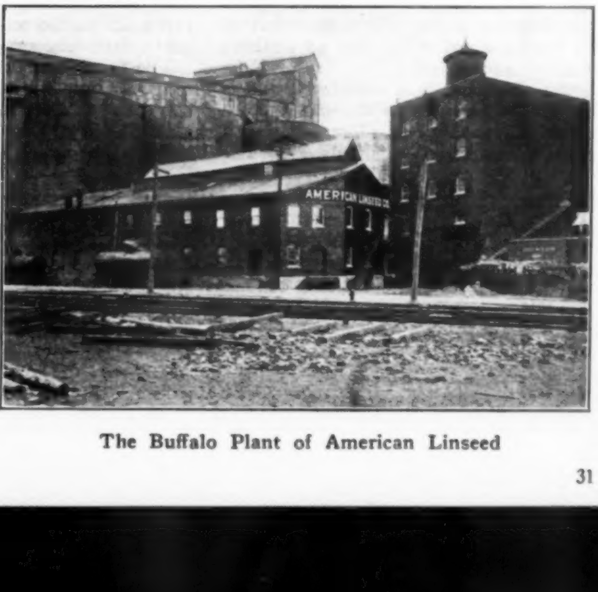
What American Linseed Does

Amercan Linseed has been in corporate existence for about 24 years and of late years the business has been diversified through the introduction of departments to manufacture edible vegetable oil products and this end of the business now probably constitutes a larger proportion of the total than does the sale of linseed-oil products.

In 1917, American Linseed acquired the Nucoa Butter Company which manufactures and refines nut oils and nut margarine. When dairy butter rose to skyward heights two or three years ago, the use of substitute products was given a great impetus and the business naturally grew by leaps and bounds, but during the past year, as every housewife knows, there has been a considerable decline in the price of butter and although the price shows signs of increasing this Fall, as compared with last Spring, butter is in a position to be a more serious disturber for the manufacturers of substitute products than it was during 1919 and 1920.

American Linseed has been the subject of anti-trust suits brought by the Government, but in the Federal Courts these suits were dismissed and the Government has taken an appeal to the U. S. Supreme Court. It is generally believed that Standard Oil interests, as represented by the Rockefellers, are dominant in the affairs of the American Linseed Company and at one time it was reportd that some 41,000 shares of stock were in the name of John D. Rockefeller, Jr. The management has been somewhat averse to publicity and this has made it difficult to follow the affairs of the company, except through the annual financial statements.

During 1920 and 1921 it was established that the Lever interests of England were negotiating for control of American Linseed, but these negotiations fell through early in 1922 and, so far as is known, have not been renewed. This is mentioned because during 1919 and 1920 the common stock rose to unusual (for it) heights and the speculation was due largely to the belief that a merger with the Lever interests would be of considerable benefit to American Linseed shareholders.



The Buffalo Plant of American Linseed

Trend of Earnings

Since 1912, American Linseed has had but one big year and that was in 1919 when $16 a share was earned upon the common stock. Then came the business depression bringing small earnings in 1920 and a deficit of over 5 millions in 1921. In the years 1920 and 1921, American Linseed found it advisable to write off 6.6 millions as inventory adjustment which is some indication of the severe deflation which the company went through. Inventories had reached 13.7 millions at the end of 1919 and were 6.5 millions at the end of 1921.

As pointed out earlier in this article, the drop in prices was precipitate and due to circumstances over which American Linseed had no control. Judging by the trend since the first of 1922, it is likely that the company has been able to mark up inventory values, or at least to feel assured that the account, at the end of 1921 represented rock-bottom figures.

The business had a big growth from 1915 to 1920, due, of course, to the unusual conditions obtaining through these years. For example, gross income was 2.5 millions in 1915 and over 11 millions in 1919, but that was not normal growth and it would be unwise to use these figures in estimating normal earning power.

It is possible to make some interesting statements as to what the company faced

(*Please turn to page 69*)

American Cotton Oil Co.

Emerging from Post-War Deflation

The Rise in Cotton Prices and in Cotton Seed Oil—Dividend Prospects for the Preferred Stock

By JOHN MORROW

WITH cotton selling at above 24c. a pound, attention has been diverted to the cotton oil industry, with the idea of ascertaining, if possible, what the outlook is for a compan; like the American Cotton Oil Company, which is the leading corporate exemplar of the cotton oil industry. Information on the American Cotton Oil Company is not particularly complete. It is known that the company underwent a drastic period of readjustment which naturally enough left marks upon earnings. Cottonseed oil prices began their precipitate advance in 1915; reached the peak in 1919 and then slid down the toboggan in a rapid and disconcerting manner. The result was that in the first half of 1921 cottonseed oil prices were at a level with the prices of 1914 and 1915. Improvement began about June, 1921, and continued until August, 1922, at which time there was a sagging off, but the level is well above the low of 1921.

According to available data, stocks of crude and refined cottonseed oil were at high levels during the first half of 1921, but in August, 1922, were relatively lower than at any time since 1916 at that particular month. The cotton crop this year is definitely established as a small one and the total may not reach 10 million bales. Figures for the whole industry as gathered by the U. S. Department of Commerce would indicate that stocks of cottonseed oil on hand are not relatively large for this particular time of the year and that therefore the outlook is fairly good from this measure of supply and demand.

AMERICAN COTTON OIL
EARNINGS RECORD

Year Ended Aug. 31	Operating Profits	Net Income	Earned on Common	Surplus for Year
1914	$1,487,623	$1,012,623	$1.99	$400.707
1915	2,514,403	2,039,403	7.05	1,427,487
1916	2,524,291	2,028,458	6.99	607,058
1917	2,034,042	1,534,042	4.55	112,642
1918	2,327,995	1,661,326	5.14	239,928
1919	2,694,214	1,844,214	6.09	422,814
1920	*1,542,531	*2,392,531	.....	*3,611,560
1921	*2,114,512	*2,934,512	.....	*2,934,512

* Deficit.

Edible Oil Business

American Cotton Oil has been developing the edible oils department of its business and such lines as washing powder and soaps. The N. K. Fairbanks Company is a subsidiary, and is engaged exclusively in the manufacture of soaps, washing powders, salad and cooking oils, lard compounds, etc. The company's products are very well known, and while there is the keenest kind of competition, it would seem to be reasonable to assume that with stabilization of overhead, a company like N. K. Fairbanks ought to show a very fair amount of earnings over a period, but as maintained just previously, the competition in this industry is very keen and margin of profit is likely to be small. In short, it must be a quantity business if it is to produce profits.

War Earnings

A feature affecting American Cotton Oil is the earnings exhibit covering the war years. The prices of cottonseed products, generally speaking, were advancing steadily from 1915 to 1919. For example, cottonseed oil prices in that period advanced to a relatively greater extent than the general level of commodity prices. In the five years of wartime business, the largest surplus shown on the common stock in any one year was about 7%, which was rather a disappointing showing when the earnings of industrial corporations generally are considered. Furthermore, in the period just prior to the war the trend was not particularly encouraging.

The fiscal year of the American Cotton Oil Company ends on August 31st, but the report for the period ended August 31, 1922, has not yet been published. The deficit shown in the report for the period ended December 31, 1921, was accumulated during the first ten months of that fiscal year. In the last two months, better results were attained. Officials of the company during the summer of 1921 believed that the corner had been definitely turned, therefore the financial statement for August 31, 1922, is to be awaited with interest.

Post-War Readjustment

In normal times, export business is from 30 to 40% of the total and this branch has been below normal. It has been stated, however, that domestic sales of food oils were well above normal with soap and cleaning powders running at normal. The period from August 31, 1919, to August 31, 1921, was the deflation and readjustment period for the company. On August 31, 1921, inventories of 6.5 millions were 50% less than as of August 31, 1920. In the same period, notes payable of 5.8 millions had been paid up and the amount of the 6% notes due 1924 had been reduced by 1 million.

The company stated last Fall that the inventory as of August 31, 1921, had been disposed of at prices equal to or above the value given on the balance sheet. This was interpreted as meaning that business was again being done on a profitable basis. Working capital decreased considerably during this period, going down from 21 millions in 1919 to 12 millions in 1921. The profit and loss surplus of the American Cotton Oil Company at the end of 1921 was 6.7 million, whereas on August 31, 1915, this total stood at almost 12 million—a decrease of about 5½ millions. **In other words, the war period apparently did not strengthen the company's position particularly, nor leave it any considerable "velvet" upon which to live during the two years of readjustment.**

There have been few changes in

AMERICAN COTTON OIL
WORKING CAPITAL

	Cur. Assets	Cur. Liabilities	Working Capital
1915	$14,321,536	$711,504	$13,610,032
1916	15,138,259	877,517	14,260,742
1917	15,346,768	1,038,505	14,308,263
1918	22,328,745	2,307,149	20,021,596
1919	22,723,897	1,629,125	21,306,978
1920	22,953,144	7,266,519	15,686,625
1921	13,334,413	1,106,876	12,227,537

capitalization, which today totals between 44 and 45 millions and which in 1915 totaled 40 millions. The intermediate financing has been done through the issuance of short term notes and there are 9 millions 6% notes due two years hence. The issue was made in 1919 and $500,000 notes annually are retired by a sinking fund. There is also an issue of 5 millions Debenture 5s, due 1931. The nature of the funded debt gives the unfortunate impression that the financing policy has been rather a temporary one and dictated largely by circumstances prevailing at the time new money had to be raised.

Conclusions

The standing of these two issues, the Debentures and the Notes, is relatively secure, and while the company showed operating deficits totaling over 3.5 millions in the two fiscal years ended August 31, 1921, under normal conditions there should be little or no difficulty in covering interest charges with an adequate margin.

Dividends upon the 6% non-cumulative preferred stock were suspended in December, 1920; prior to that the full 6% had been declared annually without break from 1892, which was an unusually good and excellent record. This year the stock has fluctuated between 41 and 61, but made the high back in May. Since then the stock has fluctuated idly and there has been little in its market action to indicate expectation of the immediate restoration of dividends. It is altogether reasonable to suppose that the management will fully restore balance sheet position before considering dividends upon the preferred stock. Herewith follows a record of the price range of both preferred and common stocks:

	Preferred High—Low	Common High—Low
1910	107 —100	69¼—52⅛
1911	105½— 92	62⅛—41⅝
1912	99¼— 95	60¼—45½
1913	98 — 92½	57⅜—33½
1914	97⅜— 93⅝	46½—32
1915	102¼— 91	64 —39
1916	102 — 98	58⅛—48⅛
1917	101½— 78	50½—21
1918	88 — 78	44⅝—25
1919	93 — 88	67½—39⅝
1920	86 — 59½	54⅜—15⅛
1921	67 — 35½	24¾—15⅞
1922*	61 — 41	30½—19¼

* To Nov. 1.

The common has fluctuated between 19¼ and 30½ this year. There is little current interest in the shares and nothing to suggest dividends. It is worth pointing out, however, that from 1898 on, the company stock paid some dividends in every year up to and including 1911. There was a break then to be succeeded by payments from 1915 to 1920. The highest dividends paid in any one year were 5% in 1909 and 1910. **If the record is any guide, the common stock of American Cotton Oil has not a large earning power and does not seem to offer any great inducements in that direction now. The preferred, even allowing for the difference in price, appears to be the relatively more attractive issue.**

Preferred Stocks Do Well

Surprising Strength of Preferreds in View of Reactionary Stock Market

THOUGH the general decline in the stock market was too severe to be entirely ignored by preferred stocks and as a result there were losses running from 2 to 6 points the movement was by no means uniform. Curiously, the losses among the sound investments were practically confined to railroad and public utility issues, industrials with one exception being untouched, in fact most of them scoring extensive gains. This was a remarkable performance in view of the general weakness. Among the middle-grade and semi-speculative preferreds, strength and weakness was about equally balanced. Altogether, while there were some large individual losses preferred issues gave a good account of themselves.

Individual movements that stood out were: General Motors debentures which lost about 4 points, Allis-Chalmers 7% which dropped six points, the decline evidently being due principally to internal weakness rather than to the general decline, U. S. Rubber 8% which lost nearly 5 points and American Water Works 1st preferred which lost 4 points. In contrast to this, there were some very strong spots, among them being General American Tank Car 7s which gained 2½ points, American Smelting 7s which gained about the same amount and Mack Truck 1st 7s which advanced over 3 points on limited transactions.

PREFERRED STOCK GUIDE

Sound Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. Cluett-Peabody	7 (c.)	102	6.8	4.5
2. General Motors (debentures)...	7 (c.)	98½	7.1	§5.4
3. American Woolen............	7 (c.)	110¾	6.3	2.9
4. Loose Wiles (1st pfd.).........	7 (c.)	103	6.8	3.5
5. American Can................	7 (c.)	110¼	6.3	2.2
6. Baldwin Loco................	7 (c.)	117	5.9	5.4
7. Endicott-Johnson	7 (c.)	116	6.0	‡4.0
8. Standard Oil of N. J..........	7 (c.)	117½	5.9	5.9
9. Allied Chem. & Dye...........	7 (c.)	113	6.1	†4.5
10. Standard Milling..............	6 (n. c.)	95⅛	6.3	4.6
PUBLIC UTILITIES:				
1. North American Co............	3 (c.)	46	6.5	‡5.0
2. Philadelphia Co...............	3 (c.)	40¼	7.4	5.7
RAILROADS:				
1. Ches. & Ohio (conv. pfd.).....	6.50 (c.)	103¾	6.2	¶0.6
2. Baltimore & Ohio............	4 (n. c.)	62	6.4	3.0
3. Chic. & N. Western (part. pfd.)	7 (n. c.)	122½	5.7	6.3
4. Colo. & Southern (1st pfd.)....	4 (n. c.)	62¼	6.4	8.2
5. Reading (1st pfd.)............	2 (n. c.)	52½	3.8	13.7

Middle-Grade Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. General Amer. Tank Car......	7 (c.)	104½	6.6	§5.7
2. Asso. Dry Goods (1st pfd.)....	6 (c.)	83	7.2	2.7
3. J. Kayser & Co. (1st pfd.)....	8 (c.)	103	7.7	1.8
4. Brown Shoe..................	7 (c.)	99	7.0	3.1
5. American Smelting & Ref......	7 (c.)	102¼	6.8	2.5
6. Allis Chalmers	7 (c.)	96	7.2	3.2
7. Bethlehem Steel (conv. pfd.)...	8 (c.)	111	7.2	6.9
8. Bush Terminal Bldg..........	7 (c.)	99	7.0	1.1
9. U. S. Industrial Alcohol......	7 (c.)	99½	7.0	8.9
10. Nat'l Cloak & Suit...........	7 (c.)	99½	7.0	3.0
11. American Sugar Ref..........	7 (c.)	107	6.5	1.8
12. Cosden & Co. (conv. pfd.).....	7 (c.)	100⅝	6.9	‡14.6
13. Sears, Roebuck & Co.........	7 (c.)	111	6.3	15.7
14. Cuban-American Sugar........	7 (c.)	97½	7.1	8.0
15. Nash Motors	7 (c.)	107½	6.5	...
RAILROADS:				
1. Pere Marquette (prior pfd.)....	5 (c.)	76½	6.5	3.3
2. Colo. & Southern (2nd pfd.)...	4 (n. c.)	58	6.8	7.2
3. Chicago, R. I. & Pac..........	7 to 5 (c.)	98¼	7.1 to 5.0	2.2
4. Pittsburgh & W. Va..........	6 (c.)	95	6.2	2.0

Semi-Speculative Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. Famous Players-Lasky.........	8 (c.)	98½	8.1	†6.4
2. Mack Trucks, Inc. (1st pfd.)..	7 (c.)	90¾	7.7	1.8
3. Worthington P.&M. ("A" pfd.)	7 (c.)	86¼	8.1	6.0
4. U. S. Rubber (1st pfd.).......	8 (n. c.)	95¾	8.3	2.6
5. Fisher Body of Ohio..........	8 (c.)	94½	8.4	...
6. Orpheum Circuit.............	8 (c.)	94¾	8.4	3.1
7. Calif. Petroleum (part. pfd.)...	7 (c.)	94	7.4	†2.6
8. Pure Oil (conv. pfd.).........	8 (c.)	97½	8.2	6.0
9. Stern Brothers	8 (c.)	102½	7.8	.8
PUBLIC UTILITIES:				
1. Market St. Ry. (prior pfd.)....	6 (c.)	66½	9.0	2.5
2. Amer. Water Works (1st pfd.).	7 (c.)	87¼	8.0	†1.5

(n. c.) Non-cumulative. (c.) Cumulative.

* Average for last five years. † Average for last two years. ‡ Average for last three years. § Average for last four years. ¶ Stock was issued this year. Figures represent number of times dividend would have been earned had stock been outstanding.

Which Is the Best $8 Stock?

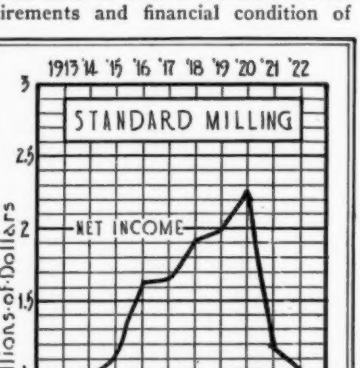
Results of a Search for Profit-Making Opportunities

By FRED L. KURR

Note: This is the ninth of a series showing the best stocks in each dividend-paying group. In this issue, the best industrial and public utility stocks paying $8 dividends are discussed. Following issues will contain analyses of the best stocks paying $10 and $12 dividends, with which the series will conclude.

AMONG stocks paying $8 per share per annum, several very sound industrial and public utility issues are to be found. These stocks have naturally participated in the extensive upward move registered by industrials and public utilities in the current year and in selecting the most attractive of the $8 payers it is to be understood that the writer does not advocate their purchase at present levels. Should the market have a substantial recession in price from present levels, however, it would be well to bear these stocks in mind with the view of acquiring them in periods of weakness.

Of the stocks selected, Famous Players shows the highest yield, 8.5%. As earnings of the company for the past several years have been running at the rate of over twice dividend requirements and financial condition of the company is satisfactory, the stock undoubtedly has interesting speculative possibilities. The high yield, however, reflects the uncertainties of the moving-picture industry. This is of course a comparatively new industry and new industries that start with a rush are subject to increasing competition. Famous Players nevertheless is undoubtedly the strongest company in the field and should be able to give a good account of itself.



Several Strong $8 Payers

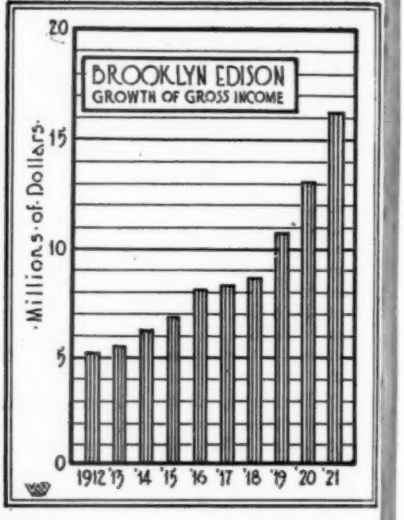
Otis Elevator is a very strong company and dominant in its particular field, the manufacture of elevators. It is in a position to increase its dividend rate at any time. A very steady earning power has been shown for a long period of years and there would seem to be no reason to doubt that it will continue to do well. **At present price of 150, however, it has pretty fully discounted favorable dividend action and would only be attractive at a very material concession in price.**

Consolidated Gas is estimated to be earning at the present time at the rate of about $15 a share and is in a position to pay out more to stockholders. **The stock, however, is selling some 50 points above the 1922 low and at this level must be regarded as in a very speculative position and not attractive either as a speculation or investment.**

Detroit Edison at 111 yields 7.2%. This company has paid 8% on its stock for the past seven years and has shown a very consistent earning power. As it is located in one of the most rapidly growing sections of the United States, a prosperious future is apparently assured. The stock has participated to a very slight degree in the upward move, selling at the present time only 11 points above the 1922 low. **No early increase in the dividend rate is anticipated, but the present rate appears very secure and is attractive for investment purposes.**

Brooklyn Edison

Brooklyn Edison is the selection of the writer as the most attractive of the



$8 payers from an investment viewpoint. Under THE MAGAZINE OF WALL STREET's rating system this company receives 29 out of a possible thirty points. In 1921 the company earned twice its present dividend requirements and 1922 is expected to make just as favorable a showing. Even during the period of inflation when most public utilities found it very hard sledding Brooklyn Edison was able to show a substantial margin over dividends. The accompanying graph illustrates how rapidly gross business has expanded and there is no doubt but that it will continue on a rapidly ascending scale.

At present price of 118 the stock returns the investor 6.8%, which is a decidedly attractive yield for a stock in so strong a position. In addition to receiving a good return on his money the purchaser may look forward to a very material appreciation in the value of his principal as the company is undoubtedly in a position to pay a higher dividend rate and sooner or later this will probably be done. **Under present market conditions Brooklyn Edison may react somewhat, offering a more favorable opportunity for its purchase.**

HOW BROOKLYN EDISON AND STANDARD MILLING ARE RATED

	BROOKLYN EDISON			STANDARD MILLING		
Element	Qualifications	Rating	Rating No.	Qualifications	Rating	Rating No.
(1) Character	Necessity of modern life	Excellent	5	Essential industry	Excellent	5
(2) Past Record	Paid 8% for twenty years	Excellent	5	Large earning power demonstrated	Good	4
(3) Future Possibilities	Demand steadily increasing	Excellent	5	Business growing	Excellent	5
(4) Management	Conservative	Excellent	5	Conservative	Excellent	5
(5) Financial Strength	High credit	Good	4	Large working capital	Excellent	5
(6) Earning Power	Increasing	Excellent	5	Increasing	Good	4
			29			28

Maximum Number of Points, 30.

THE BEST $8 DIVIDEND-PAYING STOCKS

Industrials—	Capitalization Bonds	Capitalization Preferred	Capitalization Common	Working Capital	Earned Per Share 1919	Earned Per Share 1920	Earned Per Share 1921	Price Range 1922 High	Price Range 1922 Low	Present Price	Yield
Famous Players	......	$9,270,000	*206,834 shs.	$10,828,222	$15.21	$20.54	$17.50	107	75⅛	94	8.5%
Otis Elevator	......	6,500,000	$14,227,800	13,156,000	‡10.85	‡17.54	‡12.00	168¾	116	150	5.3%
Standard Milling	$3,958,000	6,488,000	7,431,942	8,496,271	†27.50	†26.50	†10.94	141	113	128	6.2%
Public Utilities—											
Brooklyn Edison	31,326,000	......	28,099,200	9,000,000	13.10	9.58	15.96	124⅜	100	118	6.8%
Consolidated Gas	45,000,000	......	100,000,000	13,000,000	4.00	4.16	6.76	145⅜	85	138	5.8%
Detroit Edison	64,298,800	......	28,012,700	1,962,972	9.67	7.49	10.21	118½	100⅛	111	7.2%

* No par value. † Years ended August 31. ‡ On present stock outstanding.

but even at present levels it is selling well under its intrinsic value.

Standard Milling

Standard Milling is the stock selected as offering the best opportunity among the $8 payers from a speculative viewpoint. Under The Magazine of Wall Street's rating system it is entitled to 28 points out of a maximum of 30, so that in addition to having good speculative possibilities it also has merit as an investment. That the company has a conservative and far-seeing management was demonstrated during the period of deflation when most milling companies lost millions by being caught with high-priced inventories. Standard Milling naturally suffered some loss in its inventory account but it was of comparatively small proportions and the company was able to report a surplus in excess of dividend requirements.

In the past ten years earnings have averaged $19.32 per share and as the company only paid out an average of $6.70 per share in dividends it has put back into the property from earnings in these ten years the equivalent of $126 a share on the common stock. This is largely reflected in the balance sheet of the company in working capital, which is $8,242,399, as compared with about 3 millions before the war. in addition, important improvements and additions have been made to the company's properties.

The company owns outright or through subsidiaries flour mills and warehouses at Minneapolis, Minn., Superior, Wisconsin, and Kansas City, Kansas; also the Hecker-Jones-Jewell milling properties in New York City. Total daily capacity is 38,000 barrels. The properties are well maintained and modern in every respect. A $2,000,000 storage warehouse is being constructed in Jersey City.

Capitalization consists of $3,958,000 funded debt, $6,488,000 6% non-cumulative preferred stock and $7,431,942 common stock. Profit and loss surplus as of August 31, 1922, stood at $10,559,675, equal to $142 a share on the common stock. As this is an earned surplus the company has every justification for distributing part of it to stockholders in the form of a stock dividend and it is anticipated that something along this line will be done in the current fiscal year of the company.

Earnings for the year ended August 31, 1922, were rather disappointing, as only $8.34 per share was shown for the stock. The company had several unfavorable factors to contend with during this period, one of which was competition from Canadian mills. The situation in this respect is much better at the present time and reliable reports are to the effect that in the current quarter the company is doing the largest business in its history and that the outlook is for a highly favorable showing in the current fiscal year.

The stock at present price of 128 is up fifteen points from the year's low and down 13 points from the year's high of 141. Under favorable market conditions it would appear to be an excellent purchase at this price. The stock has a very thin market, however, and if the down trend in the market continues a specialty such as this might have a sharp break. **On any such reaction it would offer, in the writer's opinion, an unusually attractive speculative opportunity.**

Overhauling Your Stock Holdings

Suggestions to Investors Desirous of Improving Their Investment Position—Six Recommendations by Members of the Staff of The Magazine of Wall Street

In the important upward swing of the stock market of the past year many inequalities in the advance of securities are to be found. In some stocks the advance was apparently very much overdone, whereas many sound securities did not advance more than improved conditions would appear to warrant. Investors will do well, therefore, to carefully scrutinize their holdings and switch from the stock whose advance would appear to have rather fully discounted any improvement in the affairs of the company into the stock of some other sound company that has participated more moderately in the upward move. We are apparently in a declining market at the present time and other factors being equal it is good policy to switch into sound stocks that either give a higher return on the investment or give promise of doing so for the reason that there is always a certain demand for the latter from investors which tends to stabilize the price and they show greater resistance to the downward trend.

In this article six switches are recommended: Advance Rumely into Consolidated Textile, National Acme into Mother Lode Coalition, American Writing Paper preferred into Martin Parry, British Empire Steel into Maxwell Motor B, General Baking into Standard Milling and Consolidated Gas into American Telephone & Telegraph. At the present time it is advisable to wait until the stock market becomes more stabilized before completing the switch. Sell out the securities you intend switching out of but do not be in any hurry to purchase the security selected. In other words, watch for an opportunity to make the purchase at lower levels.

SELL Advance Rumely.
BUY Consolidated Textile.

Advance-Rumely is one of the most important of the harvesting machinery manufacturers and its products are well known throughout the country. In 1915, following a receivership, the company was reorganized and was able to operate on a profitable basis until 1921. In that year operations were on a very reduced scale and large losses in inventory account were taken resulting in a deficit for the year, after preferred dividends of $2,525,596. As the company had built

up a large working capital this loss did not seriously weaken its financial structure and bank loans are of very moderate proportions. In the current year, no inventory losses will have to be taken and operations are 30% greater than in 1921. Competition in the harvesting machinery field, however, is very keen at the present time largely due to the fact that Ford and other automobile companies have entered the farm-tractor field. This has resulted in a comparatively small margin of profit and Advance Rumely will do well if it succeeds in covering its preferred dividend this year. There is $12,500,000 6% cumulative preferred stock which is paying 3% at the present time and on which 3¾% back dividends are due. Common stock issue is $13,750,000. In view of the increased competition this industry apparently faces in the future common dividends appear remote.

Consolidated Textile selling at 11 is regarded as having better possibilities for enhancement in value than Advance-Rumely at 16. While no immediate resumption of dividends on Consolidated Textile stock is anticipated the company is in a stronger position than Advance-Rumely. The former company through loss in inventory reported a deficit of close to 1 million in 1921 and it is anticipated that a small deficit will be shown in the current year largely because of the textile strike. At the present time, the mills are operating close to capacity, and the outlook is for a very satisfactory year in 1923.

SELL National Acme
BUY Mother Lode Coalition

National Acme Co. manufactures automatic and auxiliary screw machines, automatic threading dies and taps, milled screws and nuts. Capitalization consists of $5,000,000 1st mortgage bonds and $25,000,000 stock, par $50. This company was recapitalized on a rather liberal basis during the period of war inflation and it is decidedly questionable if earnings under normal conditions will justify present capitalization. In 1921, there was a deficit of close to 4 millions of which about two thirds consisted of inventory loss. In the current year, the company's earnings have been helped to some extent through the manufacture of parts for radio machinery and automobiles and it is anticipated that fixed charges will be covered with a small balance to spare. Dividends on the common stock are apparently a long way off even should the company do fairly well from now on.

A switch into Mother Lode Coalition is advisable for the latter stock gives a return on the investment and appears to have excellent possibilities of appreciating in value. Mother Lode Coalition copper property is located in the Copper River District of Alaska, adjoining the Bonanza mine of the Kennecott Copper Corp. The company owns land for 8,000 feet in advance of present workings. Ore is very high grade, average assay this year being 15.45% copper and 2.40 oz. silver. The company is one of the lowest-cost producers in the world making its copper for less than 7 cents a pound at the present time. Kennecott Copper Corp. which owns 45% of the stock and elects a majority of the directors, has contracted to take 12,000 tons per month until 1929 of Mother Lode ore for treatment at its mill at cost. Capitalization consists of 2,500,000 shares of no par value. On the basis of present production of about 25 million pounds a year earnings are at the rate of about 70 cents a share, before deducting depletion, but company should be able to greatly increase this production in the future.—A. T.

SELL American Writing Paper Preferred
BUY Martin Parry

American Writing Paper turns out nearly all grades of writing paper and is the largest factor in its field, producing about 25% of the total American output. Since the date of its incorporation only 6% in all has been paid on the preferred stock which is a 7% cumulative and on which back dividends have accumulated to the amount of 152%. During the inflation period the company showed fairly good earnings but a deficit of 2 millions in 1921 largely offset this. In 1919, a new management was installed, which cut down overhead costs, simplified the production system and introduced economies in operation which should show their influence in the long run. Financial condition of the company is fairly good but the company can well afford to use any surplus earnings in its business for some time to come and an early resumption of dividends on the preferred is not anticipated.

Martin Parry selling at 28 and paying $2 per share per annum appears to be a much more attractive security. Capitalization is small consisting of only 100,000 shares of stock of no par value, and as the company appears to have a very rapidly growing business the outlook is bright for still larger dividend payments in the future. Martin Parry manufactures principally commercial automobile bodies and it is by far the most important factor in this industry. In 1920, plans were completed for the manufacture of a standardized, engineered line of commercial bodies, built sectionally. The result has been to greatly reduce manufacturing and transportation costs and substantially increased the business of the company. It is estimated that the present $2 dividend will be earned two or three times over in the current year. **From every practical viewpoint, therefore, Martin-Parry stock seems much more attractive than Writing Paper Preferred.**—E. D.

SIX STOCK "SWITCHES"

	Price	Dividend	Yield (%)
Advance Rumely...	16	..	....
Into			
Consolidated Textile	11	..	....
National Acme.....	14	..	....
Into			
Mother L. Coalition	10	0.50	5.00
Am. W. Paper pfd..	32	..	....
Into			
Martin-Parry	28	2	7.14
British Empire Steel	12	..	....
Into			
Maxwell Motor B..	14	..	....
General Baking....	138	8	5.80
Into			
Standard Milling...	128	8	6.25
Consolidated Gas...	136	8	5.80
Into			
American Telephone	122	9	7.48

SELL British Empire Steel
BUY Maxwell Motor B.

British Empire Steel capitalization consists of about 31 millions in bonds and debenture stocks of subsidiary companies, 6.8 millions first preferred B 7% cumulative stock, 57.3 millions 2nd preferred 7% cumulative stock and 24.4 millions common stock. The corporation was formed during the height of the inflation in the mining and steel industries following the end of the war and its capitalization was on a very optimistic basis. Under normal conditions this company will have to depend to a large degree on its export business as Canadian demands are not sufficient for its needs. In the export market it will have very keen competition to meet from all indications. A careful examination of the past and present earning power indicates that it will be a number of years before even the second preferred stock will receive dividends and the common is so far removed from dividend consideration that it is unattractive as a speculation.

Maxwell Motor B stock selling only a few points higher would appear to have much more attractive possibilities. For 1922, earnings are estimated at between $1 and $2 a share on this stock and that is after allowing for the losses sustained by the Chalmers Co. which is being merged. The trouble with Maxwell in the past has been largely poor management and there is every reason for believing that this defect has been remedied. W. P. Chrysler, Chairman of the board, is considered one of the most efficient executives in the automobile industry and since he has taken charge the popularity of the car has increased markedly. Maxwell is in good financial condition and with a good demand developed for the car should be able to hold its own in the industry. **The B stock has declined from a high of 25⅞ to present price of 14 where it seems to offer a much better opportunity than British Empire Steel common.**—H. M.

SELL Consolidated Gas
BUY American Telephone

The decision of the Supreme Court holding the 80 cent statutory rate to be

confiscatory during the years 1920 and 1919 brought about the return to Consolidated Gas impounded funds amounting to nearly 13 millions. This, of course, was a highly favorable development for the company and earnings under present conditions are estimated to be at the rate of $15 per share per annum. At present price of 136, however, the stock is up over fifty points from its 1922 low and would seem to have rather fully discounted the improved position of the company. **As an $8 dividend payer Consolidated Gas only yields 5.88% at present levels, whereas American Telephone at present price of 122, paying $9, yields 7.48%.** By making this switch the investor receives a much more attractive return on his money and has a sounder investment. American Telephone has shown a remarkably stable earning power over a long period of years and has a very definitely assured future.

A. D. N.

SELL General Baking
BUY Standard Milling

General Baking makes the well-known Bond Bread and the company in all likelihood faces a prosperous future. At present price of 135, however, the stock appears to be selling rather high as an $8 payer, especially as earnings in 1921, the last reported, were only equal to $10 a share on the present common stock outstanding. A switch into Standard Milling, selling at 128 and paying $8 a share, is suggested. Standard Milling has accumulated a large surplus and is in a position to declare a stock dividend at any time. The possibilities of this stock are fully described in the article "The Best $8 Stocks" on page 34.—O. R.

Industrial *Oil* *Mining*

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned per Share in 1921	Dollars Earned Per Share in 1922: First Quar.	Second Quar.	Third Quar.	Six Months	†Present Dividend Rate	Recent Price	Yield on Recent Price (%)	Remarks—
Allis-Chalmers	4.07	def.	0.04	....	0.01	4	44	9.1	Working capital, $24,000,000.
Ajax Rubber	def.	....	....	....	0.17	....	13	....	Deficit, 1921, $5,205,577.
Air Reduction	4.11	def.	1.51	1.18	2.76	4	61	6.5	Working capital, $8,240,000.
Amer. La France Fire E.	1.45	0.38	0.42	....	0.80	1	12	8.3	Working capital, $2,406,755.
Amer. Druggists' Syndicate.	def.	....	....	....	0.15	....	6	....	1921 deficit, $883,568.
Amer. Hide & Leather pfd.	def.	def.	def.	2.13	def.	....	71	...	1921 deficit, $550,257.
Amer. Locomotive com.	*13.34	....	....	....	def.	6	127	4.8	Six Months' deficit, $1,841,780.
Am. Steel Foundries	0.13	0.54	1.35	1.17	1.89	a3	45	6.6	Working capital, $13,125,532.
Butterick Co.	*5.23	....	....	....	2.07	....	20	....	Working capital, $8,000,000.
Central Leather	def.	def.	def.	0.44	def.	....	38	....	1921 deficit, $11,651,425.
Cluett, Peabody	def.	....	....	....	6.17	....	64	....	Working capital, $10,595,772.
Coca Cola	*3.29	1.58	4.17	4.57	5.75	4	77	5.2	....
Colorado Fuel & Iron	def.	def.	def.	....	def.	....	29	....	1921 deficit, $2,731,172; 1st 6 months, 1922, deficit, $449,699.
Consolidated Textile	def.	....	....	....	....	....	11	....	Six months' deficit, $678,777; 12 months' deficit $757,058.
Corn Products com.	9.21	3.47	3.36	3.71	6.83	6	129	4.7	Working capital, about $35,000,000.
Endicott Johnson	10.79	....	....	....	5.55	5	87	5.7	Working capital, $19,000,000.
Famous Players	19.01	6.36	6.54	....	12.90	8	95	8.4	Working capital, $10,800,000.
General Motors	def.	....	....	....	1.33	....	14	....	Deficit for 1921, $38,680,770, after deducting $44,465,552 inventory loss and special reserves.
Gulf States Steel	def.	0.40	1.70	1.90	2.10	....	89	....	12 months' deficit, $731,915.
Hupp Motor	1.39	0.75	....	....	....	1	21	4.8	Working capital, $2,515,878.
Mack Truck com.	def.	def.	3.63	....	3.53	....	54	....	12 months' deficit, after preferred dividends, $1,009,686.
Lackawanna Steel	def.	def.	def.	....	def.	....	80	....	12 months' deficit, $3,384,877. Deficit 1st 6 months, 1922, $652,852.
Lee Rubber & Tire	0.06	0.92	....	....	....	2	26	7.9	Working capital, $3,170,521.
Midvale Steel	def.	def.	def.	....	def.	def.	30	....	9 months' deficit, $3,348,802.
Owens Bottle	1.09	0.72	1.58	1.23	2.30	2	39	5.1	Working capital, $8,401,508.
Pierce Arrow pfd.	*def.	def.	def.	def.	def.	....	27	...	12 months' deficit, $8,968,712. Deficit 9 months, 1922, $339,969.
Remington Typewriter	def.	....	....	....	....	....	33	....	1st 6 months earned $7.93 on 1st pref.
Republic Iron & Steel com.	def.	def.	0.84	def.	def.	....	50	....	12 months' deficit, $7,415,000. Deficit 9 months, 1922, $764,376.
Stewart-Warner	2.19	0.95	3.00	3.45	3.95	3	52	5.8	Working capital, $6,000,000.
Stromberg Carburetor	1.08	0.40	2.56	....	2.96	4	52	7.7	Working capital, $1,000,000.
Studebaker com.	16.10	6.49	11.52	7.19	18.01	10	127	7.9	Working capital, $30,000,000.
United Drug	def.	0.37	0.81	....	1.18	....	80	....	12 mos. deficit $3,636,326.
U. S. Steel com.	2.24	def.	0.96	0.98	0.88	5	105	4.7	Working capital over $800,000,000.
Vanadium	def.	....	....	....	0.04	....	36	....	12 months' deficit, $427,546.
Oils—									
California Petroleum	11.45	2.64	3.77	....	6.41	....	53	....	Working capital, $2,650,000.
Cosden & Co.	*0.17	....	....	....	6.59	4	48	8.2	Gasoline profits continue large.
General Asphalt	def.	def.	....	....	def.	....	59	....	12 months' deficit after preferred dividends, $1,115,372.
Houston Oil	‡10.4	2.16	1.00	....	3.16	....	82	....	Working capital, $4,250,000.
Mexican Petroleum	26.82	....	....	....	§44.06	b12	225	5.3	Net current assets, $14,000,000.
Middle States Oil	4.15	0.77	0.78	....	1.55	1.20	12	10.0	Earnings before depreciation or depletion.
Pacific Oil	4.64	0.80	1.14	....	1.94	3.00	47	6.4	Earnings after depreciation.
Pan-American A	12.94	....	....	....	....	b8	90	8.8	Owns 70.5% of Mex. Pet. com. and 75.2% pref.
Pierce Oil com.	def.	....	....	....	def.	....	5	....	7 months' deficit, $779,048.
Pure Oil	2.57	....	0.74	....	....	2	28	7.1	Working capital, $14,386,449.
Sinclair Consol.	def.	....	....	....	4.16	2	33	6.0	Net current assets, $50,000,000. 12 months' deficit after depreciation, $6,908,080.
Mining—									
American Smelting com.	def.	....	....	....	def.	....	56	....	Six months' deficit, $142,580.
American Zinc pfd.	def.	0.50	1.00	1.20	1.50	....	52	....	12 months' deficit, $260,101.
Chino	def.	....	def.	....	....	....	25	....	12 months' deficit, $1,314,204.
International Nickel	def.	def.	....	....	....	....	15	....	12 months' deficit, $1,042,745.
Nevada Consolidated	def.	....	def.	....	....	....	14	....	12 months' deficit, $1,870,337.
Ray Consolidated	def.	....	def.	....	....	....	13	....	12 months' deficit, $1,598,318.
Utah Copper	def.	....	0.43	....	....	2	62	3.2	12 months' deficit, $2,058,100.

† Dividend rate given covers regular dividends on yearly basis. Extra or stock dividends are indicated in footnotes.
* After depreciation, taxes and inventory adjustments, etc.
‡ After deducting $1,094,542 for depletion of oil lands and not including payments made by Kirby Lumber Co., which in 1920 were $1,171,678, equal to 4.5% on common.
§ Nine months ended September 30.
a 18% stock dividend declared.
b Mexican Petroleum stockholders can exchange stock for 2½ shares of Pan-American B which receives 25% stock dividend Dec. 11.

· BUILDING YOUR FUTURE INCOME ·

For the Man With His First Five Hundred Dollars

Bleak Pictures

THE middle-aged man who never built up an invested surplus, who has reached the summit of his slender earning power, forced to explain to his children why their education, not yet finished, can never be completed.

* * *

THE young married man who laughed at savings plans and who now, like so many others, has lost his position—moodily tramping the streets in search not of something to keep his mind occupied but of the very means of subsistence for the little family that was to have been so happy.

* * *

THE widow who, as a wife, insisted that her husband spend all his means upon luxuries and diversion, and who is now suffering bitter consequences of her folly. Forced, not merely to cut down her living expenses, but to actually go out into the world, untrained and inexperienced, to earn enough for food and shelter.

* * *

THE little child, whose future was not provided for, brought up in comfort and seclusion, suddenly compelled to give over his youth, if not his health, in return for the means of keeping body and soul together.

* * *

BLEAK pictures, these—bleak, ugly, sordid pictures. But such pictures as could be taken in snapshot form of typical cases to be found by the dozens in every small community, by the thousands—millions, even, in the large ones.

Pictures that urge a man to ask himself, "What am I doing to prepare for the unexpected?" that warrant the wife's asking her husband, "Are we reserving enough to protect us, in case things go wrong?" that even might justify the little child's question, "Daddy, will there be enough so I can wait until I grow up before I have to go to work?"

Don't Fail to Read This True Story—

3,274% in Five Years!

How Foresight and Energy Built Up a Competence

By "A WOMAN"

THE foundation of my business career was two one-hundred dollar matured insurance policies. When I received the money, Husband said: "Buy Easter duds with it." (It was nearing the Easter season.) Son said: "Go on a grand and glorious vacation, mother, and have a good time with it."

I ignored both suggestions and proceeded to put into operation an idea I had long entertained: Next to our home were two vacant lots, owned by a nonresident. They were neglected and an eyesore to the entire neighborhood. I purchased these at $100 each, this amount covering recording fees and all. A high board fence enclosed the lots, and I sold this to a wrecking company for $40, and the purchaser tore it down and hauled it away.

With the $40, I hired the lots cleared of all trash, had the trees and shrubbery trimmed, and planted and seeded the front to blue grass and white clover. The rest of the land I planted in flowers and vegetables.

I sold the vegetables to myself throughout the season, realizing, in round figures, $60 for them. I rented the tree-shaded and grassy plot afternoons for picnics, lawn socials and tea purposes and realized $22 in this way. That made $82 to my credit in the bank.

In the early fall, a building boom started in our addition, and I sold my two lots for $350, giving me a working capital of $432, or more than double my money since spring. I began to look about me for new-business.

A Vacant Store

A vacant store building caught my eye and attention. Inside of twenty-four hours, I had rented it at $25 per month, fixtures included. I paid two months rent in advance and took a lease for two years. My bank book showed a balance of $327.40, after I had paid my rent, cleaned and calsomined and enameled the interior of my shop. I promptly used every cent of my capital to lay in my stock, which consisted of such things as are carried by the usual woman's exchange. In addition, I carried country produce, and put up school lunches, picnic hampers, etc., and also had a five, ten and twenty-five cent counter.

I had a very good business from the beginning, and, after paying help and all expenses, my books showed a profit of $877.11 at the end of seven months. I then sold out for $1,350 cash, as the work took me too much away from home affairs.

My $877.11 profits, added to my $1,350 sale price, gave me a working capital of $2,227.11, and made me begin to feel like a real capitalist.

My next venture was to purchase four hundred shares of a certain stock that was being boomed locally, paying fifty cents per share for it. I soon found out that it was rank "wild cat" and unloaded at once, losing $20 on the deal. Not much to lose, perhaps, but enough to start me thinking.

However, the lure of the game was on, and through a good broker I purchased ten shares of a good and well-known industrial at $112 per share. In six weeks I sold at $129 per share, clearing $170 on the deal, as I got in in time to collect a quarter's dividends which paid interest and brokerage fees.

Going Slow

I was very much enthused with my second venture in the stock market, and I now had $2,377 to my account. I decided, however, to keep my head level, and not let a little success get the better of my judgment. For several weeks I did not find an opening that suited me. Finally, however, I saw an advertisement listing a sixty-acre farm for sale in an adjoining state. It was alluring, and I decided to investigate, as the price of $35 per acre fitted my pocketbook. A vacation was declared, and an all-day trip by auto landed us on the ground at the door step of the most disreputable old house I've ever seen. The land, however, was good and well drained, but needed clearing as it had been run down and uncared for for years. By noon of the next day, the place was mine and I still had a bank balance of over $250.

The old house was furnished as the deceased owner had left it, and windows and doors were boarded up. With our camp kit we moved in and spent our entire vacation raking, digging, hoeing; and we scraped, scrubbed, shingled and painted every waking moment.

It was the most profitable vacation we ever spent, and the happiest. The shrubs were a mass of bloom, and the old house and outbuildings fairly shone.

We rented the pastures for four months at $16 per month, or $64, the farmer pasturing fourteen head. Next we rented the house, yard and outbuildings to a city man for $25 per month for seven months. This paid me $175. Added to the pasture income and deducting for repairs, I had $239 cash, and was the owner of 60 clean, profitable acres. I debated for some time as to whether I should move onto the farm, rent it or sell it. This problem was soon settled in a most happy manner: An offer of $5,000 cash and a parcel of 20 acres of unimproved land came to me through the mail, and I wired acceptance.

Gilt-Edged Bonds

One month ago, I sold my twenty acres still unimproved, untouched and unlooked at for $1,100 cash. This gave me a bank account of $6,548.56 (counting 4% interest on $5,239 for one year). Six thousand has since gone into gilt-edged bonds recommended by a dependable publication. The bonds pay 4%, are long time, safe, and the approximate yield is about 5.25%. Three hundred and forty-eight dollars and fifty-six cents I have set aside as a vacation fund for myself and family, and we shall spend our next vacation down in the "land of a million smiles." The balance of my bank account, an even $200, I shall put to work again just as soon as I find something that interests me, and I usually find what I'm looking for.

"Going Some"

Two hundred insurance money turned into $6,548.56 in cash and gilt-edged securities in a period of less than five years is, in the vernacular, "going some." Can you beat it, you other average women?

This Is One, Mr. M. K.

Milwaukee, Wis., October 7, 1922.

Editor, B. Y. F. I. Dept.:

Early this year you conducted a contest on "Building Your Future Income" and during April published an article by "J. R. H." as the prize winner. This article was very good.

It appears to me that in a contest of this kind many other good articles submitted would be of great interest and benefit to your readers if same were published. Although I am a regular reader of your publication, I have not seen any other articles published. My belief is that many of your readers, as I, would appreciate the opportunity to read of the experiences and plans of others beside the winner of the contest.—M. K.

WE have published quite a few of the personal experience articles brought out in the prize contest referred to. Perhaps our failing to note that they *were* prize-contest articles explains why Mr. M. K. has not recognized them as such.

The accompanying article "3,274% in Five Years," is one of these stories. We particularly commend it to the attention of our readers, as it seems to us to contain almost as much in the way of inspiration and suggestion as did the prize-winning article. "A Woman" has certainly demonstrated what can be done with a little money if the owner is wide-awake and on the alert for opportunities. Particularly interesting is the way in which she utilized investment securities as a means of keeping surplus funds working.

For those who may wonder how any one person could possess as much energy as the author of this article displayed, it may be explained that she hails from Kansas.

How to Finance a Home

The Outlines of a $12,000 Proposition

WHEN a man decides to build his own home, and thereby deliver himself from the major and minor ills that beset rent-paying, he finds it comparatively easy to decide what type of house he wants, where it is to be located and what materials are to be used in its construction.

But when it comes to arranging for the financing of the new home—there's the rub! Too little is made of this overwhelmingly important side of the proposition; most intending home-builders, when they finally confront it, are totally unprepared to act wisely and expeditiously. They haven't seen any text-books on the subject—although voluminous text-books might be written—and only after going through the actual process of financing a home do they begin to realize the ins and outs of the business.

For the purpose of extending practical aid in this connection to the intending home-builders who see this page, it may be worth while to outline the important steps in a $10,000 program, i.e., to show as concisely as possible, and with as close regard for geographical price differences, how a $10,000 home might be financed and about what it would cost to maintain:

The First Step

The first step is to select your site. The second is to develop your architectural plans to conform with the site and the amount you are willing to pay for the building itself, viz., $10,000.

Supposing that the site (the land itself) costs $2,000: The home-builder then has a proposition involving a $12,000 capital sum, in all.

His next step is to secure a mortgage loan on the property complete. (That is, this will be the next step, unless the home-builder can, and wishes to, pay the outright cost in the beginning. As most do not wish to proceed this way, preferring to maintain their cash resources, so far as possible, undiminished, let us assume that our home-builder is one of the majority, and prefers the mortgage route.)

On a newly constructed home, costing $10,000, and a plot costing $2,000, it should not be difficult to secure 65% on 1st mortgage. Assuming the house and lot were held to be worth their cost to the builder ($12,000), a total of $7,800 might then be obtained in this way.

There would then remain $4,200 which the home-builder would have to put up in cash, or else secure (in part) through a mortgage agreement. Again assuming the mortgage route to be preferred, 50% of this sum might be obtained via a second mortgage of $2,100.

(Here it may be said that the intending home-builder need have no qualms or shiverings regarding the ways and means of securing this mortgage money. In the great majority of cases, the contractor will attend to all the technical details in this connection.)

Interest Requirements

The home-builder will then have the following interest charges in prospect (subject to some variation, according to locality) the first year:

6% on 1st mortgage of $7,800	$468
6% on 2nd mortgage of $2,100	126
Total	$594

It is customary to have the 2nd mortgage of a self-liquidating nature. That is, aside from the interest requirements, this mortgage must generally be reduced each year by a given amount. The process is known as "amortization." Our home-builder will probably have to amortize his 2nd mortgage at the rate of about $300 a year.

This sum will have to be added to interest charges in determining maintenance costs.

Now, in order to maintain a home of his own, the homebuilder will have to undertake to meet certain charges that he would not have to meet as a rent-payer. They are: Taxes, insurance, water, fuel and repairs. Basing our figures on actual experience, and endeavoring not to understate, we estimate these charges as follows:

Taxes	$150
Insurance	30
Water	10
Coal (10 tons at $14)	140
Repairs	40

"L ss of Interest"

In addition to the *actual* disbursements a home-builder has to make, it is customary to charge off 6% interest on his principal outlay. Thus, our home-builder had to lay out $2,100 in cash to build his home, and, according to the rule, 6% of that sum, or $126 a year, should be charged to maintenance. Why? On the theory that, if the $2,100 had not been utilized in building a home, it would have been available for investment, and could and would have been invested at 6% interest. To those who have studied both human nature and the investment world, this rule may seem to take a few things for granted. However, if only to be agreeable about it, let us concede this to be a home-building obligation.

For the first year, then, our home-builder would have to make the following payments:

Interest on 1st mortgage	$468
Interest on 2nd mortgage	126
Amortization 2nd mortgage	300
Taxes	150
Insurance	30
Water	10
Coal	140
Repairs	40
Loss of interest	126
Total	$1,390

But it is obvious that costs will not remain at this level. On account of the amortization clause in the 2nd mortgage, the principal sum of that mortgage is constantly being reduced, and the necessary 2nd-mortgage interest is likewise always declining. Worked out for the life of the 2nd mortgage (which will be discharged in 7 years) it develops that the first year's interest on the 2nd mortgage will be $126, and the first year's amortization charge $300, or a total of $426; while the seventh year's interest will be $18, the amortization charge $300, or a total of $318. Averaged for the period, it is found that the 2nd mortgage requires $372 a year, for interest and amortization.

The Ultimate Cost

All the other elements in our carrying charges are constants. Therefore, if we substitute this average of $372 for the figures on 2nd mortgage interest and 2nd mortgage amortization, as shown in the above table, we can determine the exact average yearly cost of carrying this $10,000 home while the 2nd mortgage is extant. . . . Doing this, we find our average cost for the seven years to be $1,336, or a total of $111.33 per month. Knowing what sort of apartment you can have in New York City (for example) for $113 monthly, and how much more room, more freedom and more fresh air you can have in a $10,000 house in the suburbs, this carrying cost of $111.33 a month seems very enticing.

After the seventh year, of course, the cost becomes more enticing than ever. For then the 2nd mortgage has disappeared, and carrying charges decline $372 a year, or $31 per month, bringing down the monthly cost to $80.33, which, in truth, is magnificently little!

A Cardinal Investment Principle

The Element of "Timeliness"

This is the seventh article to be published here of an educational series on finance and investment.

A VERY definite, and not unneeded, warning was contained in our last chapter against the practice of searching for a "sure thing" in the investment world. If the wording of that warning—perhaps a little more emphatic than the occasion demanded—has not driven all interest in investing out of the minds of our readers, we may take up the next most important principle in scientific investing—the element of timeliness.

At a given time, a man may put his surplus into a security of the very highest type, representing a company having a most enviable record and one of the most stable industries in the world. And yet, if the purchase is not "timely" in the sense of being justified by prevailing investment conditions, more often than not it will result in a substantial loss.

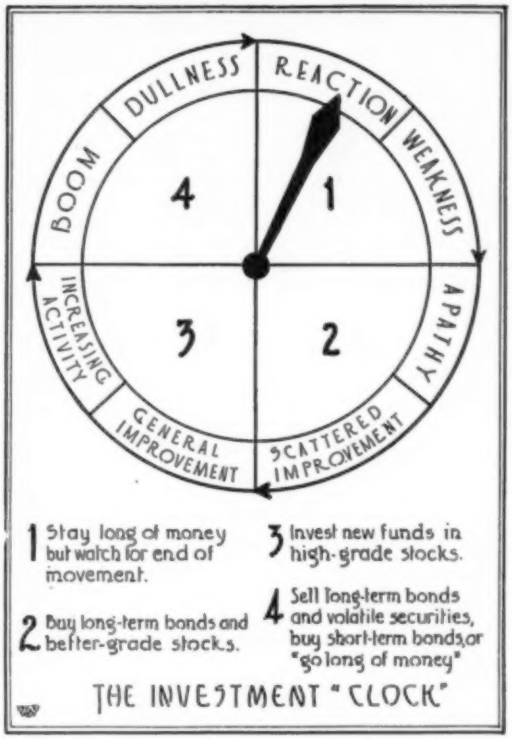
The Investment Clock

So important a subject is this element of timeliness that the best economic brains in the world have made a special study of it, striving, so to speak, to *standardize investment time,* and thus enable their followers to avoid being either *too early* or *too late* in their investment and business commitments.

In the process, the economists have traced the rise and fall of prices back to the earliest periods of which there are records, measuring the length of time between each change in the trend, comparing it with the time between earlier and later changes. The result has been to prove beyond question the profound wisdom of the biblical forecast, "seven lean years and seven years of plenty"—cycles, that is, which are opposite in their effects, but which follow each other in never-ending succession, and always in the same relative order.

The financial economists have carried the thought into greater detail than was done by the ancient prophets. They have discovered that there are not only the main periods of "plenty" and "lean times," but that there are also intersecting periods, separating these two from each other. Thus, they do not find that business despondency immediately follows a boom. They find that, after the boom has ended, there will be a period of dulness in which the economic system moves neither up nor down; after that there will come a period of reaction, leading directly into severe weakness; then, when the weakness (falling prices, declining production, declining wages) has run its course, there will be another period of dulness. At this point, faint signs of improvement are noted here and there, scattered over the economic world. This improvement, incidentally, will generally occur first in the industries which had been the first to decline. The world will pick up courage at these signs, confidence will increase, and there will develop a period of growing activity. With increasing force, this activity will ultimately re-develop the boom, which existed when our now-complete cycle started to function.

An effort to picture this cyclical movement is shown elsewhere on the right.



Interpreted

From the foregoing, it must be obvious how important the element of time will be in the making of a wise investment. It can be seen that a period of growing limitations on money supply, over-hurried production, excessive wages and inflated commodity prices—a boom period, in other words—will not be the best time for purchasing, say, long-term bonds. For, before such bonds can mature (generally speaking) the next phase of the economic cycle will have been introduced, prices will begin to fall general-

(*Please turn to page* 88)

The Earmarks of a Swindling Circular

Four Tests to Apply to Pamphlets That Come Through the Mail

A MAN can protect his home from burglars, his bank-roll from pickpockets, his motor car from autothieves, his wife from assault and his children from kidnappers. He can string electric alarms through his home, for the first, put his roll in the bank, for the second, buy a lock for his car for the third, and hire a bodyguard for his wife and children for the fourth and fifth.

But there is still a way the swindlers and the fakers and the highway men can worm into this man's presence and accomplish their ends. In the jargon, what's more, it's an "elegant" way—frequently the most productive of them all.

The reference is to the U. S. mails. The swindling circular—the little, attractive slip of paper, or the massive, leather-bound volume—seemingly so harmless, so helpful and well-intentioned—this is now the burglar's jimmy *par excellence,* the blackjack *de luxe.* It cloaks the gurglings of the falsifier and the swindler and the pest with the same dignity set apart for dividend checks and letters from your lawyer. It sails into your home and lands on your breakfast table as speedily and precisely and surely as the newsy letters from your friends. Where honest men will wait outside your office and plead with your secretary for a moment's talk, the swindling circular will force your attention before you begin the day. You dare not leave the envelope containing it unopened.

And, often enough to keep the swindlers in food and clothing, these circulars will prove so artfully written, so perfectly prepared, that you will fall for their lure, become an easy prey to their guileful promise.

How can the swindling circular—this wrecker of income-building campaigns and modest fortunes—be identified? How can a man tell the difference between a fake—and the real thing? Here, surely, are worth-while questions: For by no means everything that comes through your mails represents a dishonest enterprise. Frequently, a real opportunity will be lost if all but personal letters are torn up and thrown away unread.

Aren't there certain outstanding characteristics common to all the swindlers? Isn't there some way a man can judge, at a glance, of what is good and what is bad?

The Earmarks

With circular-writing a profession employing thousands of men and women of unquestioned intelligence and often of very fine education, with the abilities of

some of our wiliest and cleverest minds concentrating upon the problem of "selling by mail," it is not easy to identify the swindling brand. Were a set of rules to be loosely laid down here, for example, a clever swindler might seize upon them and prepare copy to conform with them. Then, he might reprint the rules, send them along with his circular and say, "See—our circulars conform with these stringent rules; hence, our proposition must be O. K." The business of describing the earmarks of swindling circulars, or even just attempting to segregate them, offers many other similar pitfalls.

This much can be said:

(1) Watch the Interest Rate Promised

Few, if any, stock promoters will waste time and money offering a security which will pay only a reasonable rate of interest. What good would it do them? They know that to interest investors, today or any other day, they must offer something big—to pay 25%, or 35% or, even better, 100% on the investment! Knowing that the swindler must make such an unusual appeal in order to get business, treat with extreme caution, then, any opportunity, brought to your attention by mail, which offers you much more than you could obtain in the way of interest from existing securities.

It is to secure a bigger return, commensurate with money invested, that men go into active business. As active business men, they won't borrow money from the public (even by means of stock selling) at any higher rate than they can avoid. Any firm that promises to pay much more than any established and successful concerns are paying is courting trouble—or is merely out to sell stock.

This rule—like any rule—cannot be applied indiscriminately. But it has a high content of common sense.

(2) Watch the Phraseology

After you have studied financial literature for a while, you won't need any help in detecting differences in the manner of writing and choice of words as between a substantial proposition and an unsound one. The differences are almost always there. The unsound proposition runs to superlatives, racy English, intimate personal suggestion. It opens, "How would you like to be the richest man in your community this time next year?" and then, before you can recover from the throbbing thought, it fairly shrieks the wonders of the scheme it is promoting. The substantial proposition sticks to its last. It analyzes the proposition under review coldly, calmly and straightforwardly, tells you who the officers are, what the existing resources are—and then quits!

Here's a good way to put it: Give every circularized proposition that comes to your breakfast table a chance to rate 100%. Deduct 10% for every "dear-friend" clause, and 10% each for every "think of the colossal profits that were made in Standard Oil (or U. S. Steel, or Gillette Safey Razor)"—every "opportunity of a lifetime" clause. And throw into the waste basket any proposition which, on this basis, fails to rate at least 90%!

(3) Look for Financial Statements

Income accounts and balance sheets. And if you don't find them, or substitutes for them, throw the circular away. If you do find such statements, note whether they have been audited by a reputable organization, or sworn to by a reputable individual. If they have not—if there is no satisfactory assurance of their accuracy, throw the stuff away.

Fake promoters are not given to revealing past history of a concern, especially if that history has been bad (and it generally has). Or, they aren't given to revealing what their "expected" sources of income are. Or, they don't like to admit just what the capitalization will be, or how much they're going to value their "plant" (probably desk-room in a mail-order house) at. For these, and many other reasons, they will either leave financial statements out altogether, or else insert such padded monstrosities as no reputable accountant would O. K.

Thinking it over, this seems a particularly good "earmark" to look for.

(4) Beware of "Safe Distance" Undertakings

The reference is to oil promotions with "head offices at Fort Worth, Texas," or the safe distance of 3,000 odd miles away; or gold mines with offices in Africa, or llama farms with headquarters in the Andes—equally safe.

It is obvious that the mere location of an office—headquarters in a large metropolis—is no guarantee of the standing and integrity of a business concern. But it is equally obvious that a corporation having any such rosy prospects as the unsound promotion is claimed to have would be able to sell any capitalization it offered within a few miles of its property or plant, and that when it goes after investors thousands of miles away, it merely wastes time, energy and expense. Think of the thriving city of Tulsa, Oklahoma, for example—the magic city, which became a near-metropolis, at least, almost over-night. Perhaps not so much now—but a few months ago it was peopled with moneyed agents, who were running around, literally, with their tongues hanging out in frantic search of productive oil properties, for which they were ready to pay the price. Imagine yourself a property owner in Oklahoma, who has discovered oil on his land. With all these agents a few miles away, in Tulsa, fairly ready to mob you for your property, would you go to all the trouble and expense and delay of forming a corporation and selling shares to Eastern investors in order to exploit your wealth? Certainly not. You would only go to the East with a stock-selling campaign if you couldn't sell your stuff, or your oil, or your gold, or raise money on it on the ground, wouldn't you?

The foregoing, to be sure, does not apply in all cases. No rule applies in all cases. Sometimes a property will need more money for development purposes than local capital can provide. That is where the corporation and stock-selling idea enters in, legitimately and justifiably.

But such times occur infrequently enough to be noteworthy. And when they do occur, nine times out of ten the corporation will see to it that its official headquarters is within reach of the bankers, if not the stockholders as well.

There are four earmarks of a swindling circular. They're a bit general, but not entirely abstruse. Perhaps Income Builders can think of some more worth bringing out here?

How Should a Salaried Man Invest?

What the $3,500-a-Year-Man Ought to Do With His Savings

EVERYTHING depends upon how large his salary is, and how it compares with his living expenses.

But let us take a typical case, and argue from that: Let us suppose our subject is earning at the rate of $3,500 a year, against living expenses of $2,300. (In living expenses, life insurance is included, being held to be a first charge on a man's income.) There would then remain $1,200 a year for investment.

With only $1,200 a year surplus to put into investments, what should these investments be? Obviously, they cannot justifiably be very risky mediums. A man who can only put aside $1,200 a year cannot afford to take many chances with it. On the other hand, some slight risk can be taken, in order to secure a reasonably high income return. With these conditions in mind, we suggest that the $1,200 annually be invested as follows:

Let the savings bank be the receptacle for $100 a month until savings reach $500. Keep this $500 as a nest-egg against contingencies. It is just about enough to cover any contingency that might normally be expected to arise. It is desirable, nearly essential, to have such a nest-egg, so that nothing which may happen will be liable to interfere with the rest of your investment program. To collect this sum, at the rate you are saving, will take five months.

Let subsequent monthly savings accumulate until there is $200 available. This will take two months. Take the $200 and with it buy $200 worth of mortgage bonds as issued by reputable concerns of long standing. These will yield from 5½% to 6½%

The next $200—two months later—might well be invested in U. S. Government bonds. Your bank will show yo

how to secure them. They will yield you about 4%.

Wait, then, until your new savings reach $300, which will be three months later, or just one year after your campaign began. If conditions are "right"—and they generally will be for such a conservative program as you are following—this sum might be placed in corporation bonds such as are available in $100 pieces. Suppose conditions are right, and that you purchase three Philadelphia Co. 6s of 1944. At present prices, these will yield you about 5.88%.

At the end of the year, then, your investment campaign would show $1,200 invested in a Savings Account, Mortgage Bonds, Government Bonds and a small block of bonds in a famous Public Utility.

In the next year, it would not be necessary to divert $500 to savings account. This sum, then, might well be invested in gilt-edged corporation bonds, of fair income yield. The 5s of 1946 of the American Telephone & Telegraph Co. are available in $100 denominations. Supposing the current price prevailed at the time you were ready to invest, they would yield you 5%.

Seventeen months after beginning your campaign, then, you will have invested $1,700, all in securities of the highest grade. At this point, you might deviate a little from the straight and narrow path of gilt-edged bonds, and dip into preferred stocks. This group comprises many securities just as good as bonds, and just now they are available at comparatively high yields.

If you followed such an investment plan as this for five years, you would have at the end of the period well over $6,000 invested in rock-ribbed securities. That sum would be returning you an average of, say, 4.50%, or about $270 a year.

Unless you have a particular use for this $6,000 (and try not to have) the thing to do is to continue with your campaign, turning interest into principal by sending your interest checks to the savings bank, keeping up the plan of gradually picking up small lots of a diversified list of securities.

What will such a plan do, in a 5-year period, for a man earning $3,500 a year? Well, among other things:

(1) It will give him an insurance fund, equal to well over a year and a half's pay, capable of carrying him, at his present scale of living, for over two years, should an untoward event deprive him of his position. Those who have seen their homes, their most prized possessions sacrificed to make up for the lack of just such a backlog as this will testify whether or not such a sum is worth while collecting.

(2) It will be the means of purchasing a country home of your own—and as has been shown in many previous articles, such a move can be made the means of reducing living expenses and increasing investment power.

(3) It will be collateral on which a needed loan could be quickly borrowed, in case of trouble or of opportunity.

(4) It would send a son through college.

Points for Income Builders

More About "Collateral Trust" Bonds—Sinking Funds and Callable Securities

THE security behind the ordinary bond is generally **physical** property of some sort. Thus, a bond will most often be issued *against* (or "having as its security") a railroad right of way, or a paper company's mill, or an industrial company's entire land holdings and plant.

In some cases, however, a bond will not have actual physical property immediately back of it and as its security. Instead, it will have "tokens of property" in the shape of the securities of some going concern. These securities may represent the same company as the one issuing the bond; or they may represent subsidiaries of it; or, finally, they may represent an entirely separate company. More frequently, perhaps, the latter will be true. But in early railroad days, the *securities of subsidiaries* generally composed the collateral. That was when a separate subsidiary company had to be organized in each separate state in which the road operated; when these subsidiaries had difficulty selling their own securities direct to the public; and when the parent concern took those securities itself and issued "collateral trust bonds" against them, in that way securing the funds needed.

The securities forming the collateral trust need not be bonds. They may be stocks. Or they may be a mixture of the two. Not infrequently they are stocks. Furthermore, it does not necessarily follow that the original collateral securities will continue permanently in the trust. The trust may provide for shifts in the underlying collateral—that is, may permit exchanging securities *originally held* for *other securities* which the trust officials deem more desirable.

Reviewing the foregoing, it is easy to see why collateral trust bonds, as compared with other types of bonds, and *as a group*, are distinctly speculative. In the first place, the trust deed may provide (as explained) for exchanges and substitutions in the underlying collateral, rendering the safety element therein subject to individual whims and fancies. Secondly, the collateral itself may represent concerns not securely situated (in which case the collateral trust bond itself will be correspondingly shaky). In the third place, the obligations of the issuing corporation, in event of the collateral's collapse, may not be fully defined, or fully binding.

These things being so, it behooves the intending purchasers of collateral trust bonds to examine with great care the terms of the trust deed, the responsibility of the corporations represented in it, and the obligations of the issuing corporation. In other words, bonds of this type are only as good as the collateral behind them and the trust deed providing for that collateral.

Of course, the factors that make such securities speculative also invest them with unusual profit possibilities. A well-chosen collateral trust bond may well prove exceedingly desirable.

Sinking Fund

Occasionally it is desirable to give a corporation security something more than legal rights in the event of receivership. This may be because the corporation itself is not in a particularly strong position; or it may be merely to give the security special attractions. In such cases, it is sometimes the policy to establish a central fund; to arrange to add to that fund a certain proportion of earnings, or a certain fixed sum to be taken out of earnings, every so often; the fund to become large enough, ultimately, to meet the whole obligation which the given security represents, and to be for the sole and specific purpose of meeting that obligation. When this policy is followed, the fund so set aside is known as a "sinking fund." It is just such a fund as a person would be building up were he a debtor in the sum of $5,000, and were he to deposit $1,000 a year in the savings bank for five years for the purpose of meeting that debt.

Tips

Bunk.

Callable Securities

Bonds, as well as preferred stocks, frequently are issued with a "callable" feature attached, which feature gives the issuing corporation the right to buy in the security, in whole or in part, at a given price, and after reasonable notice, at any time it sees fit.

A corporation will have one of two reasons for "calling" a callable security: Either it will merely be intent upon reducing its outstanding capital obligations; or else it will be intent upon paving the way for some new financing.

Investors need to keep particularly close watch on securities which are callable. Interest ceases on a bond that has been called, of course; and unless the holder immediately turns it in, he loses a certain amount of interest on the amount of money represented.

Rights

An income builder who happens to be a rather large investor called the attention of this department a while ago to the difficulty sometimes encountered in keeping track of "rights" when offered shareholders. One way around this difficulty is to put your securities in a special account such as some of the large trust companies operate. In this case, the trust company keeps you advised of all events affecting your holdings, such as offerings of "rights," calling of bonds, etc., and removes the danger of your losing a possible profit.

Public Utilities

Outlook For the Express Companies

Are Present High Prices of Securities Justified?

By JAMES N. PAUL

The American Express in Paris, France

INCREASING interest in the stocks of express companies has been fostered by the recent statement that directors of Wells Fargo Express Co., one of the big three express companies, was about to liquidate. Indications also seem to point to favorable action being taken by the board of directors of Adams Express Co. toward placing the capital stock on a dividend basis within the near future. All of this has brought greater activity and advancing prices for stocks of the three companies comprising the American Railway Express Co.

It will be remembered that incident to the taking over of the railroads by the Government shortly after this country entered the war, the three large express companies, American Express Co., Adams Express Co. and Wells Fargo Express Co., merged their properties into the present American Railway Express Co., each company taking in exchange the stock of the operating company. As it worked out, each of the three companies received, roughly, about one-third of the outstanding stock.

Interest in the stock market centers chiefly on American Express Co. and Adams Express Co., and an analysis of their situation and outlook is given together with a brief résumé touching on the affairs of Wells Fargo.

The three large companies comprising the present American Railway Express Co. have virtually been reduced to the status of holding companies, deriving their earnings in large part from dividends on securities held. When the companies were merged they retained their outside interests so that American Express Co. still controls what was at one time a very profitable banking business. It has numerous branches in Europe and does a large foreign banking business which is at present poor but which appears to have great possibilities for growth in the future. Adams Express Co. only recently announced a system of transporting valuables in local territory through means of automobiles, but this is only a minor factor in its affairs as yet.

Depending, therefore, to a great extent for their income upon earnings received in the form of dividends from American Railway Express Co., an analysis of the affairs of the holding companies would not be complete without a review of what the operating company is doing. The operating company now pays 6% annually in dividends on the $34,642,000 capital stock and earnings statement for six months ended June 30, 1922, indicates that about 9% will be earned. This is a fair margin for a public utility in a generally poor year and should make the dividend on the stock entirely safe.

An interesting feature of the earnings of the operating company is that even though gross revenues for six months of this year decreased about $15,668,000, net income for dividends, including miscellaneous revenue, showed little decline from the same period of last year. The statement of earnings shown gives net for dividends for six months to June 30 last equal to $4.34 a share on the stock. Earnings during the last half of this year should be slightly better than those of the first half so that at least $9 a share on the stock seems assured.

EARNINGS OF AMERICAN RAILWAY EXPRESS CO.

(For six months ended June 30)

	1921	1922
Gross revenues	$149,695,851	$134,027,470
Total oper. rev.	98,400,164	77,898,174
Oper. expense	96,682,687	76,202,963
Net oper. rev.	1,717,476	1,695,210

It is interesting to note that operating expenses declined more than $20,000,000, though gross is off only $15,000,000. Net earnings would have been much greater had it not been for increased tax payments and higher rentals paid the railroads for express privileges.

The operating company was organized in 1918 and was sponsored by the Government as being the solution of having too many companies, whereas one could operate more economically. The property valuations given were conservative and there seems to be no reason why the company cannot at least earn the 6% dividend requirements on the stock. It seems only reasonable to expect that the company will be allowed to charge rates which will assure the dividend. While the inauguration of the Parcels Post as part of Post Office operations naturally cut in on revenues of express companies, there are certain classes of business which will continue to go to the private companies. Just what effect the parcels post system will have on earnings of express companies has been fairly well demonstrated by now having been in effect for several years.

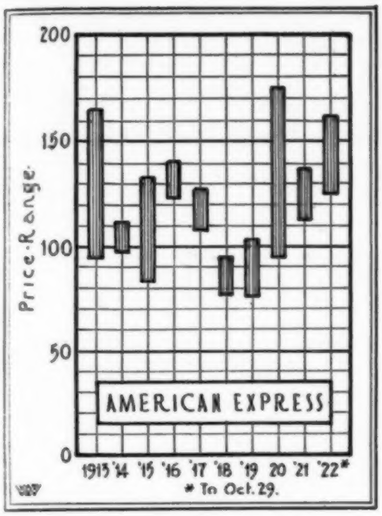
Another favorable factor in the situation is the signing of contracts by railroads for continuation of express service. It had been feared that many roads would not continue contracts making other arrangements for express facilities but as no notice was given last month of a determination to break away, the situation is clarified for the time being. The accompanying table will show holdings of the three companies in the stock of American Railway Express Co.

	Holdings in Amer. Ry. Express stock	Dividends received	Divs. paid on own stock
Adams Exp.	$11,904,300	$714,258	None
Amer. Exp.	12,271,000	736,260	$1,440,0
Wells-Fargo	10,466,700	628,002	1,198,3

American Express Co.

Profits from Banking Business

IN marked contrast to Adams Express Co., American Express Co. does a large and important business as an operating company handling an international banking and forwarding business which in the past has been extremely profitable. There has been talk on and off of a possible segregation of the profitable banking business from its express interests. While it seems possible that in the future some such action may be taken, there seems to be nothing immediate to look forward to. Other than the possibilities to be derived from a stock distribution to be made to shareholders in the form of securities in a new banking company, there seems to be no urgent reason for segregating the different activities. As an $8 stock, the present issue traded in on the New York Stock Exchange is entitled to a high rating



but recent advance to above 160 seems to be predicated on a possible distribution rather than the dividend. Certainly, from an analysis of the income account the past few years, there seems to be no reason to look for an increase in the dividend rate. Owing chiefly to poor state of European business, American Express last year failed to earn dividend requirements but this year is understood to be doing so.

The company receives about $736,000 from holdings of American Railway Express Co. stock so that half of dividend requirements at the present $8 annual rate comes from this source. While last year was a relatively poor one, earnings from banking and allied business are subject to general conditions and with improvement could easily show rapid expansion. With American Express Co. the express business is the smaller part of its business and stockholders have something to look forward to in the form of better earnings.

Conclusion

At the current selling price of 150, yield on the capital stock is 6.00%. The company has no funded debt or preferred stock. The yield appears small but high selling price, as stated before, is probably reflecting to some extent a possible segregation of the banking business. The stock is a high grade issue and paying 8% is well entitled to sell above par. The present rate on the dividend appears entirely safe as the company has large assets to draw upon in the event of any reasonable slump in business. **The stock is subjected to rather wide fluctuations and for the present, until something definite is forthcoming as to segregation plans, appears to be selling high enough at 150.**

EARNINGS AMER. EXPRESS CO. 1920, 1921 AND 1921

	1919	1920	1921
Gross....	$9,444,301	$14,812,728	$8,449,946
Net inc..	1,096,380	1,890,087	1,077,404
Divid'ds..	1,032,366	1,158,969	1,440,000
Surplus for yr..	64,014	731,118	*362,596
Per share on stk..	$6.09	$10.50	$5.99

* Deficit.

Adams Express Company

Inauguration of Dividends Expected

EARLIER in the year, THE MAGAZINE OF WALL STREET recommended the purchase of Adams Express Co. stock, then selling twenty points lower, in the sixties. The stock has recently been active in the market, selling above 80. The activity and strength no doubt foreshadows the resumption of dividends on the stock, no payments having been made since 1917. Income since that time has been used to pay off various and sundry claims against the company. These have now practically all been cleaned up. In addition, market value of many of the securities of railroads and banks have appreciated in value to a considerable extent. Dividend resumption on the stock at the rate of either $5 or $6 annually is quite likely before the end of this year.

Selling in the eighties and paying no dividend, even on good dividend prospects, the relatively high price seems to require some explanation. Let us then examine the company's earning power and outlook. Revenue received in form of dividends from American Railway Express Co. amounts to $714,258 annually. This would be equal to $7.14 a share on the $10,000,000 stock of the Adams Co. The 1921 income account showed that about half of the $1,600,000 net earnings was received in dividends from the operating company and the balance from interest on other securities owned. Interest on Adams Co. funded debt required about $650,000, general expense $75,000 and interest on loans roughly $70,000, leaving $893,000 available for dividends on the stock, or $8 a share.

Earning Power

Being, therefore, a holding company, income of Adams Express is confined to interest and dividends received. Barring any great catastrophe or circumstances which would destroy earning power of the operating company, on which it is dependent for half of its earning power, the company's income seems fixed and should continue at about the present rate of between $7 and $8 a share on the stock.

In pre-war days the stock enjoyed a high investment rating but this was during a time when earnings fluctuated more or less. Opportunities for large profits in the express business were plentiful. Dividends at an annual rate of $12 were being paid prior to 1917 but it seems hardly likely that this rate can ever again be attained. The future of the company as a holding organization seems limited.

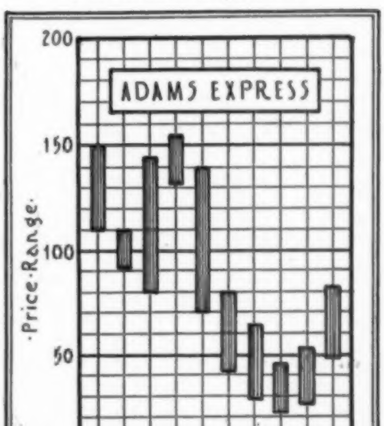
Unless some other line of endeavor is engaged in, earnings in the future will be stabilized. Earlier this year, realizing that its resources were to a large extent idle, the company as a side line instituted a service for transporting valuable cargoes, chiefly currency, throughout New York City for a charge. Already the company has a fleet of armored automobiles and is believed to be doing a fair business throughout the city transporting funds for banks and large industrial corporations. No statement of earnings from this source has ever been made publicly but it is safe to assume that unless the company branches out on a larger scale, they cannot be any great factor in consideration of earning power for the time being.

Conclusion

Taking the $28,700,000 total assets shown in the last balance sheet, of which $700,000 are liquid and $28,000,000 par value of securities held, deduction of capital and current liabilities would leave about $10,300,000 for the stock. This would give a liquidating value of $103 a share. However, it is hardly likely that par would be received for all its securities in event of liquidation. So much for its liquidating value.

Assuming that the board places the stock on an $5 annual basis, selling at 80, a yield of 6.2% is shown annually. On this basis the stock appears to be selling too high. Also, with indications of a reactionary tendency in the market together with uncertainty as to whether a $5 or $6 annual rate will be ordered, a lower level might be possible. At its present price, institution of a $5 annual rate should be a disappointment.

(*Please turn to page 78*)



Mining

American Metal Company

Profit-Sharing *vs.* Dividends

Scope of American Metal's Activities—Influence of Profit-Sharing on Dividend Rate

By C. S. HARTLEIGH

THE American Metal Co. is engaged either directly, or through its subsidiaries, in the business of mining, concentrating, smelting, refining, buying and selling metallic ores, and numerous metals and minerals and their by-products. In addition to its own production, the company buys and sells metals in the open market, and contracts for and treats large quantities of custom ores. In addition to its own mining and metallurgical activities and its ordinary custom smelting business, it is perhaps one of the largest speculators in metals and mineral products in the world.

A conception of the immense scale of its operations may be gained from the fact that its metal turnover per annum includes, in round figures, nearly 150 million lbs. of electrolytic copper, 80 thousand tons of zinc, 85 thousand tons of lead, about five-sixths of which is produced in Mexico, 15 million oz. of silver, 1 million tons of coal, and numerous heavy chemicals in large quantity, more particularly sulphuric acid, zinc oxide, and white arsenic.

With few exceptions it owns the entire capital stock of ten important subsidiary companies operating in this country.

The U. S. Metals Refining Co. operates a modern electrolytic copper refinery at Chrome, N. J. The plant covers about 150 acres at Tidewater, whence refined copper and other products are shipped either by lighter or rail. This plant has a productive capacity of about 20 million lbs. of refined electrolytic copper monthly, 1,250,000 oz. of silver, and 12,000 oz. of gold per month.

Its American Zinc & Chemical Co. owns a zinc smelting plant at Pittsburgh, Pa., with a capacity for the treatment of about 6,000 tons of zinc ores per month, and a production of approximately 3,000 tons of zinc. This company's sulphuric acid plant has a capacity of 8,000 tons of sulphuric acid monthly.

Another subsidiary, the Bartlesville Zinc Co., owns and operates two zinc smelting plants at Bartlesville, and one at Blackwell, Okla. The total normal capacity of these plants is about 20,000 tons of zinc ores per month, from which 8,000 tons of zinc can be produced; the company also secures custom ores from the Joplin District, and zinc ores from Mexico.

Other important subsidiaries are the American Metals Transport Co., which was incorporated for the purpose of handling all the shipping of the parent corporation and its subsidiaries, primarily between the U. S., South America and Cuba, and the Chanute Spelter Co., with zinc ore reserves estimated at 1.3 million tons.

AMERICAN METAL CO.
DIVIDEND RECORD SINCE 1900

Year	Outstanding Capital Millions	Disbursements to Stockholders
*1900	$1.0	$350,000
1901	1.0	300,000
1902	1.5	337,500
1903	1.5	337,500
1904	1.5	450,000
1905	2.0	700,000
1906	2.0	800,000
1907	3.0	750,000
1908	3.0	825,000
1909	3.12	336,800
1910	3.5	630,000
1911	3.5	700,000
1912	3.5	1,500,000
1913	3.5	875,000
1914	3.5	700,000
1915	3.5	1,750,000
*1916	3.5	3,920,000
†1916	3.5	2,625,000
‡1917	7.0	2,100,000
1918	7.0	840,000
1919	7.0	1,400,000
1920	14.0	None
‡1921	14.0	840,000
§1922	14.0	560,000

* Fiscal years ended June 30.
† Second half.
‡ Fiscal years ended December 31.
§ First half.

In addition, American Metal purchases ores and metals in Peru for shipment to the U. S. through its South American Metal Co. of Peru, which also handles the shipping of the American Metal Transport Co. The same services are performed in Chile by the South American Metal Co. of Chile. It also owns about 80% of the Fundicion de Guayacan, which in turn owns and operates a copper smelter at Coquimbo, Chile. It owns valuable real estate in Chile, including undeveloped copper prospects. Extensive mining properties in Mexico are handled through a Mexican holding corporation, known as Compania de Minerales y Metales, the entire capital stock being owned by the American Metal Co.

Since the American Metal's incorporation in 1887, except during the year 1920, it has paid dividends annually on all of its outstanding capital stock. The total cash distributions up to January 1st, 1922, amounted to over 24 million dollars, equivalent to 18% per annum for 34½ years on the average capital invested.

During the past ten years gross income, before depreciation, interest and Federal Taxes, amounted to 58.8 millions, and net income available for dividends and profit sharing with the management, was about 43.5 millions. The company's policy of profit sharing is of special interest to the prospective stockholder. For the last 25 years the distribution among the management has amounted annually to 35%, which was calculated on the amounts remaining after all charges, including depreciation and stipulated dividends on the stock, had been paid. With the changed capitalization, now consisting of $5,000,000 7% cumulative preferred stock, convertible into common at the rate of two shares of the latter for one share preferred, and 536,000 shares of no par common stock, on which dividends at the rate of $3 per annum have been inaugurated, no profit sharing is to take place for any year after 1922 until the full amount of the preferred dividend and dividends amounting to $3 a share on the common stock have been paid for each year, and for the year 1922 until the preferred dividend accumulated in June, 1922, and $1.50 in dividends on the common stock have been paid.

From a study of the profit-sharing policy heretofore in force, and in view of the probability that this policy is likely to be continued in general principle, subject to stipulations with regard to dividends on the present stock issued, it appears that the profits likely to accrue to common stockholders are somewhat limited, and this condition appears to detract from the general desirability of the common shares, so far as the general public is concerned.

Main Difficulties Left Behind

What the New Balance-Sheet Discloses—Position of the Industry—Outlook for the Common Stock

By A. T. MILLER

IN only one year since 1912 has American Smelting failed to earn a balance for the common stock and that was last year, the worst in the entire history of the metal industry. Such a record should predispose one well toward the company, especially when it is considered that except for last year, dividends were paid regularly though in varying amounts for nine unbroken years.

American Smelting is decidedly in possession of genuine earning power which should demonstrate itself as a matter of course in any but the most severely depressing periods such as during 1921. This is easily apparent from examination of the company's record during the first half of 1922. In this period, earnings applicable to the preferred stock amounted to $1,825,000 against dividend requirements of $1,750,000, so that dividends for the period were fully covered. The cold stating of these figures, however, does not really indicate the true earning power of this remarkable organization unless it is remembered that in the same period of 1921 there was a deficit of no less than $1,101,000. In other words, in the first six months of 1922 American Smelting really earned $2,850,000 more than in the same period of 1921.

Financially, there has been great improvement as a result of the increased earnings. Cash now amounts to over 5 millions without any bank loans whereas two years ago the company had over 12 millions outstanding in bank obligations. This improvement has been the result of a totally changed situation in the metal industries.

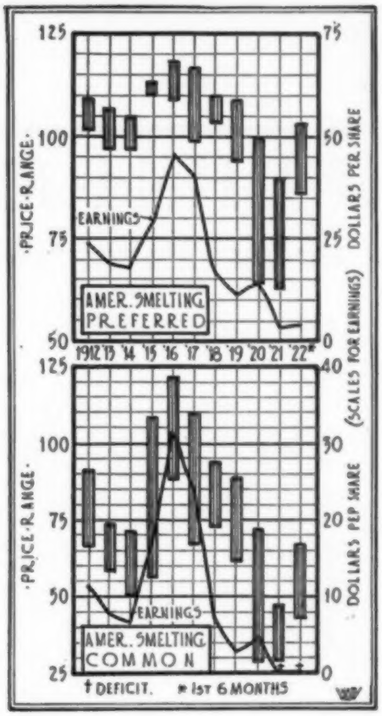
One of the outstanding reasons for the swift decline in the earnings of metal companies last year was that owing to stimulation caused by inflated prices during the war, production of virtually all metals received a terrific impetus resulting in very heavy overproduction. As long as prices were sufficiently high to turn a good part of this output into profits, the metal companies were in a position to temporarily overcome the effects of their steadily growing metal surpluses. But when copper, zinc, and lead prices declined below cost of production, existing huge surpluses of metal became a grievous handicap such as in many cases to result in losses wiping out several years of war-time profit.

Why the Metal Industry Has Improved

What happened is now history. First one company and then another suspended dividends and then took the more drastic action of completely shutting down their mines so as to put an end to the growing mountain of metal stocks It took nearly two years for this policy to work out steadily but the fruits are beginning to become apparent at last. Metal company deficits have been largely eliminated and, as in the case of American Smelting, deficits are being turned into profits. Thus the metal companies have reached the end of their long pilgrimage into the wilderness.

American Smelting, as the name implies, is a smelting company and, therefore, the destinies of the mining industry are virtually its destiny. The improvement, consequently, which has overtaken the entire industry has naturally been reflected in its affairs.

But American Smelting is something more than a smelting proposition. It is also a very important metal producer. It,



therefore, stands to gain from both ends, that is from smelting and from mining.

It cannot be said at this time that the company is facing a period of phenomenal profits. But it is significant that it faces a period infinitely better than that from which it has just emerged. Profits largely depend on prices and demand. So far as the latter is concerned, it may be said that the outlook is, on the whole, favorable though not excitingly so. Demand for copper, the principal item, is larger than a year ago and in a broad way shows an upward trend. The movement, however, is not broad enough to result in markedly higher copper prices which remain at about the same level as for the past year.

Copper at 14 cents is not at a price to result very profitably to most copper companies but, so far as its smelting operations are concerned, this is nothing to worry the big company. "Smelters" receives its fee for smelting no matter what the price of copper is though it is apparent that its business to a very great extent depends on how much copper it gets to smelt. If conditions in the copper industry are not going to be good it is evident that the smelting business is not going to be particularly profitable. Fortunately, the outlook is encouraging. In the past few months, production of copper has shown a tendency to increase and this trend should continue.

Another favorable feature is that for the first time in about nine years, the company is able to operate its Mexican properties with a fair degree of assurance that operations will not be interfered with on account of unstable political conditions in Mexico. Inasmuch as its Mexican operations, under normal

(*Please turn to page* 71)

HOW AMERICAN SMELTING'S FINANCES HAVE IMPROVED

CURRENT ASSETS

	June 30, 1922	Comp'son With Dec. 31, 1921	
Cash	$4,426,368	inc.	$2,151,941
Liberty Bonds	206,350	dec.	1,288,000
Bankers' & Trade Acceptances	137,607	inc.	69,940
Loans Secured by Metals on Hand	125,607	dec.	120,658
Accounts & Notes Receivable	8,914,148	inc.	3,979,708
Materials & Supplies	5,973,992	dec.	138,517
Metal Stocks	41,435,235	dec.	979,408
Total	$61,218,889		

CURRENT LIABILITIES

	June 30, 1922	Comp'son With Dec. 31, 1921	
Accounts, etc., Payable	$13,476,271	inc.	$2,998,534
Interest on Bonds: Unclaimed	37,648	dec.	5,101
Accrued, not due	442,721	inc.	7,958
Dividends: Unclaimed	76,964	dec.	7,046
Payable	981,605	dec.	42,549
Accrued Taxes	1,205,098	dec.	387,366
Total	$16,220,309		

Current Assets 377% of Current Liabilities.

Petroleum

If I Held 100 Shares of—

Caddo Central—Superior Oil—Skelly Oil—Oklahoma P. & R.

—I Would—

By JAMES W. MAXWELL

INVESTOR- and spec-vestor readers of these columns realized long since that the shares in oil enterprises, when they represent comparatively small concerns, and particularly when the values behind them or the earning powers, are largely based on oil production as opposed to the "round-turn" of production, refining and distribution are not appropriate securities for what the BYFI Department aptly terms "income builders" at any time, and only rarely appropriate even for semi-speculative commitments.

This is no reflection on the men who assemble such properties, or on the properties themselves. Indeed, it is something of a tribute to them. For the degree of hazard represented in such undertakings—the very element that removes their securities from the strictly investment field is something that timid business men would never be willing to face. The few with the courage and will to face that hazard—the Dohenys, the Benedum-Trees combinations, the Sinclairs — stand out conspicuously as men of daring and no little genius. They are all picturesque figures — Doheny, the wild-catter, who starved in the Mexican foothills but kept plugging ahead until he located what he sought; Sinclair, the drug-clerk, who with "Pat" White staked his future against his ability to secure oil production—and nobody familiar with the struggles such men have gone through would belittle their achievements.

It is only to encourage a judicious discrimination between "investments" and "speculations" that these elementary facts about the oil game's hazards are brought out.

The times when such oil securities as those described are "appropriate for semi-speculative commitments" have occurred, in the past, during the half-dozen or so periods of recovery following reactions—the intermediary periods, which have marked the oil industry since its inception. **In these periods, the securities of the smaller companies have frequently outstripped those of the larger ones,** and naturally so: A concern with all its resources tied up in a 3,000-barrel production, dependent entirely upon that production for its results, will be a hundred-per-cent gainer from a doubling in crude-oil prices; whereas the larger concern, in previous times at least, with its huge refineries for which oil has to be bought, would frequently share in an upturn on a considerable smaller percentage scale.

Less and less, however, has this advantage remained with the smaller concern. In recent times, the movement has all been toward consolidation in the oil-fields—actual, whether apparent or not; and the result has tended towards putting into the big fellows' hands sufficient control of formerly "independent" production to accommodate their needs. (Any investor who cares to investigate this view can find interesting material in any complete Standard Oil file; the number of once "independent" concerns which now boast of Standard Oil names on at least a portion of their stock issues is impressive, especially when it is realized to how great an extent the development has been accomplished in the last three years.) Hence we have such oil-stock markets as that of the last five months—with the Standard Oils, some of the affiliated oils and one or two mammoth independents (as Gulf Oil was, and as Mexican Petroleum still manages to remain) doubling and tripling in price; while the shares of the little fellows are left more or less out in the cold.

Under these conditions, therefore, it may be said that securities of the smaller independents, and especially those representing companies largely in the production end, are less and less frequently appropriate, even for semi-speculative commitments. They seem particularly inappropriate at the particular time which is the present, because of reaction in the general market.

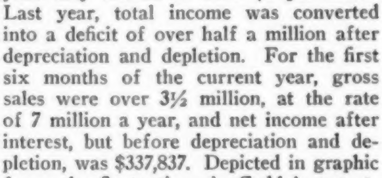
Caddo Central Oil

A case in point is Caddo Central Oil, which was organized in its present form about two and one-half years ago. From the statements rendered, it is impossible to ascertain what proportion of the company's present gross business is represented by production and what proportion by refinery earnings. But the division was well brought out in 1920, when the "department profits" were itemized as follows:

	1920
Refinery	$1,500,347
Production	600,650

In words, Caddo's refinery was something more than 2 to 1, as an earnings producer, and as compared with its oil production.

However, the corporation's results since organization have not reflected the stability that might be expected in a largely refining enterprise. Thus for the nine months of 1919, earnings were approximately $1.25 per share. In the following year they soared to over $6 per share. Last year, total income was converted into a deficit of over half a million after depreciation and depletion. For the first six months of the current year, gross sales were over 3½ million, at the rate of 7 million a year, and net income after interest, but before depreciation and depletion, was $337,837. Depicted in graphic form, the fluctuations in Caddo's operating income after interest and taxes, but before depletion, etc., shows as follows (with the current year estimated, very roughly, on the basis of the first 6-months' showing):



This exhibit brings out not any inherent weakness in the Caddo structure, which is neither expressed nor implied. It merely illustrates the sharp changes to which a comparatively small oil company is subject when it is "going it alone."

The latest summary shows Caddo with a funded debt of $6,644,600 split up as follows:

	Outstanding	Interest Requirements
Caddo Co. 1st 6s	$1,633,000	$97,980
Caddo Corp'n 1st 6s	4,330,600	260,196
Equip. Trust 8s	675,000	54,000
Total	$6,644,600	$412,176

The stock capital consists of an authorized 200,00 shares of no par, of which 168,500 shares are outstanding.

No dividends have yet been paid on the stock. It is now selling at around 9½, compared with a record high, under the then-existing capital, of 64¼ in 1919. In view of the nature of the company's business, its youth and varying earning power, the shares do not appeal to the writer. **As a holder of 100 Caddo, he would be sorely tempted to sell, and place the proceeds in 21 shares of Vacuum Oil, new stock,** thus switching from a company of poor record and uncertain outlook into the stock of a corporation which earned the enormous total of $3,500,000 for its stock in the "disastrous" year 1921, would have earned nearly twice as much, if it had not seen fit to make an "inventory adjustment" charge of over $3,400,000, and which in the current year is believed to have rolled up the largest profits in its history. There is a contrast with the small independent!

Oklahoma Producing & Refining

In Oklahoma Producing & Refining at around $2 a share, spec-vestors find what seems an enticing security, so far as market price is concerned. But a glance at the corporation's record lessens the appeal.

Producing & Refining is not as small as the price of its shares would indicate. It has a complete refinery at Muskogee. It owns, wholly, over 57,000 acres in Oklahoma, and, partly, about 23,000 more. It has outstanding four million three hundred thousand shares of common stock; and six hundred thousand shares of preferred are held by the "Union des Petroles." At December 31, last, the common was carried in the balance sheet at over 21 millions, and the preferred at 3 millions.

So far as the record is concerned, Oklahoma Producing & Refining's results have been typical of the independent who "goes it alone." In the last three years, results compared as follows (the figures being in thousands of dollars):

	1919	1920	1921
Oper. Income	$3,854	$6,424	$1,323
Tot. Deductions	3,875	4,126	2,679
Net Income	D 30	2,298	D 1,356
Earned on Pfd. per Share	....	8.90%	....

D = Deficit.

Thus, the erratic swings instanced in the two preceding examples are seen to have characterized the fortunes of Oklahoma P. & R. This, as has been said, need be no reflection on the management. It is merely a reflection of the section of the industry the company serves, its comparatively insecure position in that industry, and the resultant hazard associated with its shares.

The holder of 100 shares of Oklahoma Producing & Refining is receiving no dividends. The situation is even gloomier when it is realized that even the owners of **the 8% cumulative preferred stock are not receiving income therefrom. The last payment on the preferred was made** eighteen months ago. There is no prospect, apparently, of any earnings-balance for the common this year, or even next year.

The writer, as a holder of 100 shares of the common, would sell it and put the proceeds (too small for a stock-market commitment) into a real estate mortgage bond, to yield, say, 6%. Such *(Please turn to page 72)*

Invincible Oil's Recovery

Substantial Earnings Improvement in Current Year

THE recovery in the oil trade this year has enabled Invincible Oil to score a notable improvement in earnings by comparison with 1921. In the first half of last year, the corporation reported a deficit, before depletion and depreciation, of $138,250, but in the same period of the current year, net income (also before depletion, etc.) exceeded $1,676,000, or better than $2.35 per share on the outstanding capital stock. The details of the improvement appear in the following table:

First Six Months (In Thousands)

	1921	1922
Gross Earnings	$797	$2,572
Other Income	159	153
Total Income	$956	$2,724
Interest, etc	329	302
Inventory, Adj't	765	...
Dev. Expenses	...	745
Net Income* Def.	$138	$1,677

* Before Depletion, Depreciation, etc.

The corporation's ability, as demonstrated in the period referred to, to secure good earnings results under good oil conditions is the result of its well-rounded organization. The company is one of the most fully-contained among the independents. It has producing properties whose output in the early months of 1922 averaged better than 12,000 barrels daily (the computation being based on an official estimate of 1,171,169 barrels for the first three months); it owns three refineries; a 4,000-barrel topping plant at Fort Worth and a 6,000-barrel refinery at Shreveport, and these facilities have recently been amplified by the acquisition of the former Chalmette Oil Refining plant at New Orleans (giving the corporation a favorably situated export terminal); for transportation, there is a complete system of pipe and gathering lines, about 250 miles in all, as well as over 800 tank cars; finally, the corporation has storage tanks of over 1,500,000 barrels capacity, operates a large lubricating plant and has ample filling and distributing stations.

The corporation's financial position was none too good at the close of last year. Working capital was down to $409,000 as against better than $2,425,000 in the previous year. Its properties (land, buildings, leases, wells, machinery, etc.), were carried on the balance sheet at over 40 millions, as against slightly more than 28 millions in 1921, no doubt reflecting property acquisitions during the year. No allowance for depreciation or depletion appeared in the year's accounts, and there had been no such allowance in the previous year, which was the first full year of operations under the present organization. Were a flat charge of 15% of the property valuation assessed to depreciation account for the single year 1921 the result would be a reduction of some 6 millions in the total surplus of $11,892,949 shown at the end of the year. It should be noted, however, that a special charge of over $765,000 was made on account of inventory adjustment in 1921.

Under the improved conditions that have existed in the current year, the corporation has undoubtedly attained a stronger financial position.

Invincible Oil has a funded debt of over $4,000,000, of which the principal issue is the 8% convertible sinking fund bonds of 1931. These were originally outstanding in the sume of $3,000,000, but have been reduced to $2,335,800 through retirement. They can be had in $100 form and are convertible at the option of the holder into capital stock at $30 a share the first year, and $1 a share additional each year thereafter. They are redeemable at 110 and interest upon 30 days' notice.

From a market standpoint, this issue cannot be regarded as possessing much investment appeal. It is a direct obligation of the company, but is not secured by mortgage. Furthermore, it must be recorded that interest was earned only a little more than half last year. On the other hand, the greatly improved results of the company in the current year—with the half year's interest on its entire funded debt earned more than 9 times in the first six months indicates a corresponding improvement in the position of the 8s, and they have an additional element of safety in the sinking fund provisions. At a more attractive price than that prevailing (about 110) the bonds might offer speculative opportunities of some proportions.

Invincible Oil stock has never received a dividend. Earnings on the issue, before depletion and depreciation, should total around $3.50 per share for the current year, or better than 29% on the current market price. Under continued good trade conditions, values behind this security might be expected to build up. It sells around 16 as against a record high of 47¼ in 1920 and a record low of 5½ in 1921. **The management is resourceful, the company possesses fair earning power, and as a long-pull speculation, therefore, the stock has some attractions, although at this writing the trend of the general market does not encourage speculative commitments.**

·SERVICE · SECTION·
· OF ·
· THE MAGAZINE OF WALL STREET·

IN THE BANKING WORLD

·CONDUCTED · BY·
· H ·PARKER · WILLIS·

DISCUSSIONS OF CURRENT PROBLEMS · AND REVIEWS OF RECENT · EVENTS · CONDUCTED IN THE · INTEREST · AND · FOR THE · USE OF THE · BANKER READERS · OF THE MAGAZINE · OF WALL · STREET

MR · WILLIS · WAS · FORMERLY · SECRETARY · OF · THE · FEDERAL RESERVE BOARD. LATER, AS · DIRECTOR · OF · THE · BUREAU OF · ANALYSIS · & · RESEARCH, HE DEVELOPED · THE · BOARD'S PRESENT NATIONAL SYSTEM OF FINANCIAL REPORTING

The Question of Tax-Free Bonds

Effect of Non-Taxable Securities on Financial Conditions

THE question what to do as regards the danger involved in the issuing of tax-free bonds is assuming large proportions in Congress as well as at the Treasury Department, as the Government's refunding system takes shape. Secretary Mellon's recent offering of $500,000,000 was only partly on a tax-free basis, but it nevertheless retained the general idea of freedom from taxation, and later issues of bonds issued in the course of the refunding programme may be expected to follow the same plan. Meanwhile, the flood of tax-free issues is increasing and the result is to introduce a rather serious problem into actual banking practice.

Volume of Tax-Free Bonds

Exactly how many tax-free bonds have been issued in the United States it would be difficult to say precisely. According to statements made by the Farm Mortgage Bankers' Association, state and municipal issues of tax-free securities amounted in 1912 to about 400 millions; in 1916 to about 500 millions; in 1920 to 773 millions; in 1921 to 1,300 millions, while this year the total of such issue will probably be somewhat under 2,000 millions. Meantime the United States Government has added about 24 billions of its own tax-free issues to the total in circulation, while estimates of the amount outstanding in tax-free state and municipal securities run from 8 billions as high as 15 billions. Secretary Mellon six months ago estimated it at 10,660 millions. Precise estimate is not practicable, while on the other hand variations in the terms upon which securities are issued make it impossible always to draw the line exactly between "tax-free" and "non-tax-free" issues. What is certain is that of the issues that have been placed on the market within the past five years a very large percentage is represented by tax-free securities of various kinds and degrees.

Effect of Tax-Free Securities

The general effect of these issues of tax-free securities is first of all to give the advantage to the issuers thereof as regards access to the money market. Not only is the tax-free bond worth more because of its exemption from taxation, but the saving in annoyance and irritation, due to the ability to refrain from detailed reports of various kinds under our income tax legislation, is in itself an attractive feature. All in all, the tax free bond is preferred by the large investor even when it is on a practically equal basis of return as compared with the taxable security. As a secondary result of tax exemption, therefore, the influence of this system of bond issue is to increase the facility with which Governments get money for their own purposes. As these purposes, however beneficial in the large sense, are usually unproductive or uneconomic in the immediate sense, the effect of tax-free security issues is to enlarge the amount of the community's expenditure upon such unproductive objects and correspondingly to diminish the amount of it for industrial purposes.

Further, the influence of the tax-free plan is to enlarge public debts, inasmuch as governments can obtain funds cheaply and easily through borrowing, so that they incline toward that way of meeting unusual expenditures rather than impose new taxation on their citizens. The policy, however, tends to cut down their tax receipts, especially where these are obtained from income and excess profits taxes, or surtaxes. Wealth tends to move into the tax-exempt securities as rates of taxation increase and the consequence is to make tax systems more and more unproductive as time goes by. There is also very important influence growing out of this situation, upon banking.

Banking Portfolios Affected

The tax-free bond situation has undoubtedly had an important effect on banking methods and conditions in the past and will have an increasingly important effect from now on. Hitherto, the convenience of the short-term tax-free certificates of indebtedness which were available in large quantities has led banks to buy heavily of these certificates, thereby filling their portfolios in corresponding measure and leaving the commercial demand to take care of itself. Were these offerings to be subjected to taxation, their rate would have

Net income of investor, exclusive of that from $40,000 investment	Net income of investor from $40,000 investment, after paying income tax on same: With tax-free security	With taxable stock	Surtax on dividends	Income from taxable stock before paying tax	Necessary rate of interest of taxable security (%)
$4,000	$2,000	$2,000	$0.00	$2,000.00	5.00
$16,000	2,000	2,000	105.26	2,105.26	5.26
$28,000	2,000	2,000	272.73	2,272.73	5.68
$40,000	2,000	2,000	439.02	2,439.02	6.10
$60,000	2,000	2,000	777.78	2,777.78	6.94
$80,000	2,000	2,000	1,225.81	3,225.81	8.06
$100,000	2,000	2,000	1,846.15	3,846.15	9.62
$200,000	2,000	2,000	2,000.00	4,000.00	10.00
$500,000	2,000	2,000	2,000.00	4,000.00	10.00
$1,000,000	2,000	2,000	2,000,00	4,000.00	10.00

to be correspondingly advanced, or else they would find a much less favorable reception from the banks which have heretofore taken them rather too readily and in too large quantities. Beyond doubt, the effect of the huge tax-free issues of short-term securities made by the Government has been to deteriorate the service of the banks as lending institutions from the standpoint of customers.

The effect has also been to increase the rate required on commercial loans, Government borrowing having skimmed off the cream of the banks' resources, while at the same time the rate allowed the Government was comparatively low, commercial loans then bearing the burden that was necessary in order to make up the difference. The putting of the Government's obligations into an ordinary commercial form would largely change this condition and would correspondingly improve the position of the ordinary borrower.

Position of Investment Institutions

Even more striking is the effect of tax-free issues upon the position of investment institutions. At the present time there is an artificial market for such securities as Federal farm loan bonds and Government bonds, due to the fact that many institutions carry them on account of their tax-free features, which are beneficial either to the institution in making up its tax return or to the various funds which it may be holding and for whose account the securities are bought. The adoption of a constitutional amendment such as now proposed would not affect the non-taxable status of existing bonds which were held in this way, but would tend to bring about a larger and better diffused holding of Government securities. They would appeal more widely to the investor, and would accordingly tend to go into the hands of the public in general, instead of accumulating in those of the banking institution. The latter would tend to purchase more freely of railroad and corporate bonds insofar as it needed to hold bonds at all as a part of its investment portfolio.

One effect of the tax-free bond situation which has received a good deal of notice is seen in its influence in diverting funds away from direct loans on mortgages and rural securities generally and in shifting them into public securities. This has tended to raise the mortgage rate in some rural districts very greatly insofar as it applied to taxable obligations. Of course the Federal farm loan bonds have been free of taxation and have sold correspondingly cheaper and better than other landed securities—a situation which has attracted the criticism of many money lenders and farm mortgage bankers. Objection to the non-taxable privileges of Government and municipal bonds, however, has had a basis which was better than that of pure self interest for the reasons which have already been indicated.

Cost of Money to Government

The non-taxable bond system has been an exceedingly expensive experiment for the Government. It was originally initiated in the belief that by this means bonds could be sold to much better advantage than would be possible were they to be subject to taxation. As a result the Government has made some gains in its lower interest payments but it has lost heavily in returns from the income tax. A table recently officially compiled showing the decline of taxable incomes over $300,000 showed a falling off in the number of returns between 1916 and 1919, all years of great prosperity, from 1,296 returns to 679. The net income fell off from about 1 billion to about 440 millions in incomes over $300,000. This decline was going on while the income of all classes was increasing but at the same time wealth was being put into non-taxable form. The accompanying table, compiled by the Treasury Department, shows the advantage under existing conditions of investing in tax-free securities as compared with a like investment in taxable securities. In each case $40,000 is assumed to be invested in a tax-free 5% security and, by comparison, in a taxable stock bearing the necessary rate of interest to yield the same income after paying the income tax of existing law.

Hon. Andrew W. Mellon
Secretary of the Treasury

Legislation Before Congress

In order to correct these conditions various proposals have been placed before Congress but the one now chiefly favored is apparently that proposed by Representative Green in House Joint Resolution 314, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by the legislatures of three-fourths of the several States:

ARTICLE —.

"SECTION 1. The United States shall have power to lay and collect taxes on income derived from securities issued, under the authority of any State, but without discrimination against income derived from such securities in favor of income derived from securities issued, after the ratification of this article, by or under the authority of the United States or any other State.

"SEC. 2. Each State shall have power to lay and collect taxes on income derived by its residents from securities issued, after the ratification of this article, by or under the authority of the United States; but without discrimination against income derived from such securities and in favor of income derived from securities issued, after the ratification of this article, by or under the authority of such State."

Problems of Government Finance

Prospects of Refunding—Reserve Discount Rates—Question of New Taxes

Washington, Nov. 5.

HEAVY oversubscription of the Government's offering of bonds has been received as good evidence of the stability of credit which the Treasury now enjoys and is regarded as affording a basis of further sales as soon as conditions are believed to warrant it. There has been some surprise that the Department allotted only $763,000,000 instead of the amount nearly double that which is said to have been received by way of subscriptions.

Opinions differ as to the wisdom of the policy, but the final action taken was based no doubt upon the same considerations which led to the Treasury during the war to reject heavy oversubscriptions

of liberty bonds, notwithstanding that it had done its utmost to encourage the public to buy largely of these securities. There was a feeling at the time that good faith with the public unavoidably met the necessity of limiting the allotments of bonds to the amount that had been previously agreed upon. However, it is now expected by many that another considerable offering of bonds upon very similar terms may be made in the comparatively near future with a view to meeting some of the larger refunding problems which will present themselves from time to time.

Federal Reserve Discount Rate

A question which for years past has been quite closely connected with rates of interest on, and conditions of sale of, Liberty bonds is seen in the discount rate policy of the Federal reserve banks. There has been no change in discount rates now for a good many weeks and while there were at one time constant predictions that further rate reductions would occur in order to bring all rates to a substantially uniform basis, nothing of the kind has actually turned out to be the case. On the contrary the general rate structure of the Federal reserve system is fairly uniform already on a basis around 4 @ 4½% and the departures from that level are so unimportant as to have little significance. The tightening of money rates in the open market appears pretty definitely to have put out of the question all idea of any action designed to lower rates still further, and instead of that the talk now is, in banking circles, favorable to advances rather than reductions.

If it be true, as has often been stated by the Federal Reserve Board, that the central bank rate should "lead the market," an advance in discount rates at Federal reserve banks ought to be agreed upon very shortly, since rates are now tending upward and are everywhere ahead of the Federal reserve figures. Tendencies in foreign countries to a tightening of rates have also been observed in recent weeks. There are many bankers who have held to the opinion quite consistently for some time past that the reserve discount rate was too low and ought to be increased in the interest of conservatism and avoidance of inflation. Of course this situation becomes more and more pronounced as commercial rates advance, because the tendency is to throw paper into the reserve banks merely to make a profit on it, when there is a material difference between the local rate and the reserve rate.

This tendency is already seen in some quarters, as illustrated by the fact that so large a proportion of ordinary bank advances has been transferred of late to reserve banks as increases in their portfolio. The administration has during the campaign constantly referred to reductions of discount rates as one of its achievements looking in the direction of prosperity, so that many persons believe that whatever is done on discount rates will be deferred until well after election. But the desirability of an advance in rates is already very evident.

The question of new taxes to be submitted to Congress for the purpose of making up the deficit is one that is giving a great deal of trouble. President Harding has estimated the deficit for the current fiscal year at about $650,000,000. This can be carried along well enough by current borrowing, but not if it were to be repeated a second year. In the latter case it would be almost unavoidable to have new taxation. This idea is extremely repugnant to the politicians and they are undoubtedly keenly anxious to avoid it.

The Administration will not urge new taxes, according to all present appearances, except as a last resort. But in order to get along without them, it is necessary to make some drastic cuts in expenditures and the budget bureau has been directed to begin work with that in view. It will be the choice of Congress then whether to accept cuts in expenditure involving reductions of personnel, and lessening of political patronage, or to run the risk of incurring popular displeasure by imposing additional taxes, or raising the rates of those now in force.

There are already pending before Congress a number of tax propositions, some of which affect financial corporations, and particularly banks, very directly. In the main such proposals have but little support and if Congress were to act in the near future with a view to raising more revenue, it would probably make a choice between a sales tax or the enlargement of the present income-tax system. The taxation of the undistributed surplus of corporations has been persistently predicted by some, and is given in some quarters as the explanation of recent stock dividends. Action along this line may easily take place as a result of the political dissatisfaction which has lately been caused by stock dividends, and quite without reference to necessities of revenue, considered by themselves.

Bank Rulings and Decisions

NOTICES are now being sent out to member banks of the Federal Reserve System covering the forthcoming election of directors of reserve banks. Under the terms of the Reserve Act each Federal reserve bank has nine directors, three of each class (A, B and C) who serve for three years each and whose terms are so arranged that the terms of three directors, one of each class, expire each year. Class A and Class B directors are elected by the member banks, Class C directors are designated by the Federal Reserve Board. The expiration on December 31, 1922, of the terms of three directors in each Federal reserve bank thus makes necessary a general election for two at this time and for this notices have been sent out since October 15.

Voting Banks

The Act requires that for the purpose of elections the member banks in each district shall be divided into three groups; and the Federal Reserve Board accordingly has grouped the member banks in such a way as to bring about an approximately equal division of banks between these groups. Each group every third year elects one Class A director and one Class B director. In those cases where the expiring terms of men who go out of office at the end of 1922 were the result of election by a single group, only that particular group participates in the election, but notice is nevertheless being sent to all member banks in each district in order that they may be informed.

Election Procedures

The directors of each member bank in the group which is participating in the choice of directors may nominate as they please one candidate for each of the places vacant. Class A directors under the terms of the Federal Reserve Act are to be "representative of the stockholding bank." An officer or director of any member bank in a group which is conducting an election is eligible for nomination. In order to nominate a candidate, the Board of Directors of a voting member bank adopts a resolution of nomination. Forms of such resolution are distributed in the New York district and in most of the others through the several banks, and when signed by the cashier and stamped with the seal of the bank it may be forwarded to the reserve bank.

Under the terms of the Reserve Act "no director of Class B shall be an officer, director or employee of any bank" and at the time of his election a Class B director shall be actively engaged in his district "in commerce, agriculture or some other industrial pursuits." This nomination also requires the adoption of a resolution by the Board of Directors of the voting member bank and when signed by the cashier and stamped with the seal of the bank is forwarded as before.

Forms are provided for the use of banks which in times past have not designated by resolution of their respective boards of directors any officer to cast the vote of the bank at an election. Such designation continues until revoked, and may be made either by amendment to a bank's by-laws or by the adoption of a resolution by the board of directors. When the resolution is adopted for the

(Please turn to page 73)

Trend of Money, Prices and Credit

Significant Changes in the Credit Situation

THE movement of credit during the past month has been unusually pronounced and important. Significant changes have taken place in the charge for long and short-term accommodation and the flotation of a large issue of Government long-term obligations has afforded opportunity for the testing of some theories concerning existing conditions that had been doubted previously. Changes in prices have not been as marked as in some recent periods, but bank liabilities are at length beginning to show the effect of the expanding requirements of trade and industry. The steady expansion of business has been accompanied by corresponding growth of the volume of credit. At the same time, the accommodations obtained from member banks of the Federal Reserve System have gone on enlarging with the result that considerable amounts of funds have been called in by banks for the purpose of providing themselves with the means of accommodating their customers. Just how largely these sums have been obtained by reducing call loans it would be difficult to say but a very substantial quantity of them have been drawn from that source. It is on the whole fair to say, therefore, that as the commercial advances of banks have increased, market accommodations have in somewhat the same measure fallen off. Due to this situation there has been a tolerably steady recession in the volume of brokers' loans although that is still a large item.

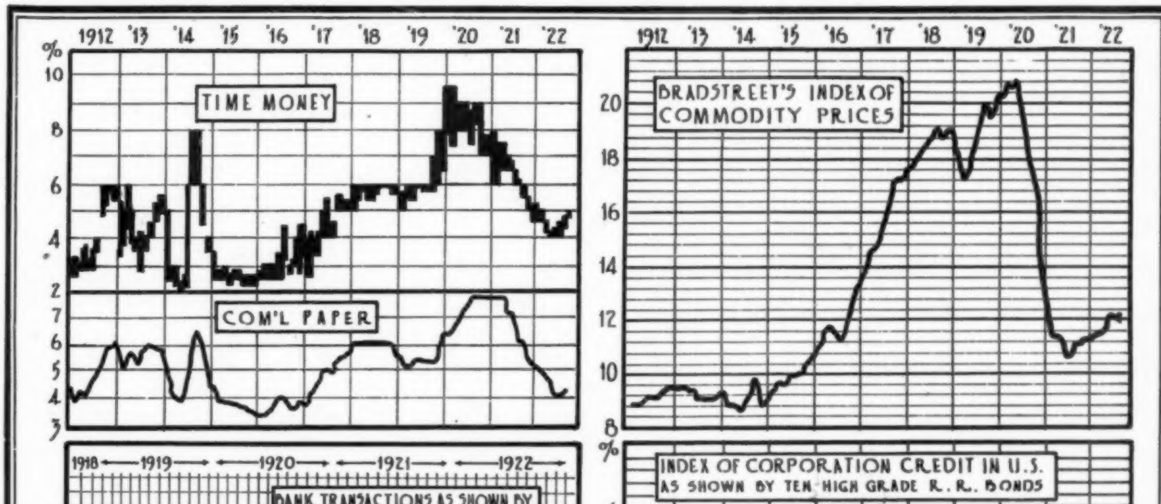
Money Rates Higher

Money rates have as a result of these conditions tended to move pretty steadily upward. Probably the best example of what has been going on is furnished in the case of time money and commercial paper. In both the demand has been steady and the upward movement of rates, although not at any time pronounced or extreme, has been very distinct and definite. As shown in the accompanying diagram the movement of this form of short-term credit has accordingly been toward higher levels and it may be expected that the upward trend will continue pretty well during the autumn months of 1922. Higher money rates are in fact predicted by most observers, even among those who in times past have been doubtful about the future of rates. Some of these observers are still asserting that after the opening of the new year there will be a reaction to lower levels—a forecast which may or may not prove true—according to circumstances. As a matter of fact, these predictions are now so far remote from the present that they may as well be ignored in any immediate market analyses.

Cost of Corporate Borrowing

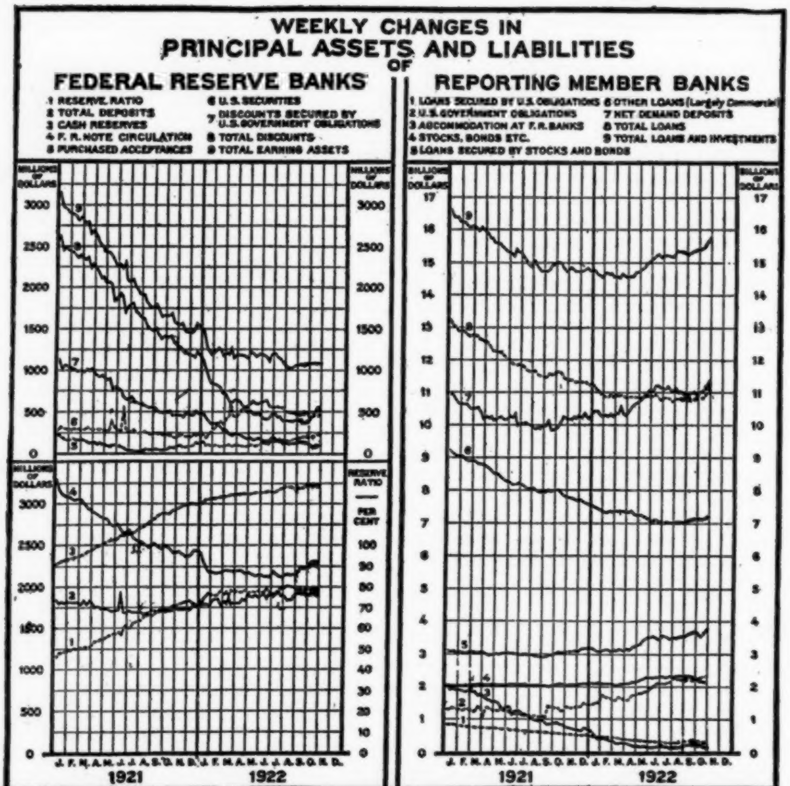
Coincident with the higher prices for money has gone an advance in the cost of corporate borrowing. This has continued during October and is reflected in

(*Please turn to page 73*)



·SERVICE·SECTION·

The Banking Situation



FEDERAL RESERVE BANKS

(In millions of dollars.)

Date	Cash reserves	Bills discounted, total	Government securities	Total deposits	Federal reserve notes in actual circulation	Reserve ratio
Aug. 9	3,202.2	382.2	491.7	1,835.8	2,147.2	80.4
Aug. 16	3,197.9	382.5	488.0	1,847.0	2,142.3	80.2
Aug. 23	3,192.7	389.9	484.8	1,851.9	2,146.7	79.8
Aug. 30	3,195.0	404.3	492.0	1,881.0	2,153.4	79.2
Sept. 6	3,186.0	404.0	508.2	1,856.7	2,221.0	78.3
Sept. 13	3,197.9	389.1	489.0	1,872.4	2,213.0	78.3
Sept. 20	3,189.4	423.8	439.1	1,850.6	2,218.4	78.3
Sept. 27	3,203.5	420.8	451.5	1,840.0	2,243.3	78.4
Oct. 4	3,213.0	513.2	483.4	1,877.0	2,274.0	77.4
Oct. 11	3,210.0	539.1	474.5	1,922.0	2,320.0	75.7
Oct. 18	3,214.0	573.7	446.9	1,956.0	2,315.0	75.2
Oct. 25	3,211.0	531.4	408.7	1,941.0	2,298.0	77.6

REPORTING MEMBER BANKS

(In millions of dollars.)

Date	Number of reporting banks	Loans and discounts	Investments	Rediscounts and bills payable with Federal res'e banks	Ratio of accommodation (4÷2+3)	Net demand deposits
Aug. 2	793	10,804	4,552	117	.8	11,134
Aug. 9	793	10,793	4,540	105	.7	10,980
Aug. 16	792	10,809	4,533	110	.7	11,013
Aug. 23	791	10,766	4,550	116	.8	10,939
Aug. 30	791	10,761	4,532	135	.8	10,942
Sept. 6	791	10,819	4,513	134	.9	10,992
Sept. 13	791	10,895	4,481	120	.8	11,144
Sept. 20	790	10,939	4,500	155	1.1	11,060
Sept. 27	790	10,988	4,466	159	1.0	11,085
Oct. 4	786	11,051	4,459	182	1.2	11,168
Oct. 11	787	11,118	4,444	278	1.8	11,256
Oct. 18	787	11,304	4,580	274	1.7	11,305

FUNDAMENTAL developments in the commercial banking outlook during the past month has been the gradual transference of the strain growing out of increased calls for accommodation from member banks to Federal reserve banks. This has given rise to an increase of over 100 millions in the bill portfolios of Federal reserve banks during the past two or three weeks, notwithstanding some fluctuation from week to week, while as compared with the average low points of bill holdings of the past summer the increase is about 250 millions, or in round numbers 50 per cent of the average low-point bill holdings.

Movement of Member Bank Accounts

The member bank situation—that is to say the situation in the commercial banks in the country as illustrated by the reports made by members of the Federal Reserve System to the Federal Reserve Board shows the underlying basis of this shift of burden to the Federal Reserve Bank. Between the 20th of September and the report of October 25 the total loans and discounts of about 800 reporting institutions (the number varying slightly from week to week), have shown an increase of about 300 millions of which approximately 135 millions is growth in loans and discounts secured by corporate obligations and 226 millions an increase chiefly in commercial loans. The fact that during that time this advance in the loans of member banks has been reflected in so great an advance in the loans of Federal reserve banks is of decided interest. It is estimated that the loans and discounts of the reporting member banks represent from 40 to 50 per cent of the entire loans and discounts of the System.

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BANKING INDICATORS

Discount rate at Federal Reserve Banks 4-4¼%
Commercial Paper in New York Market Nov. 4 ....4½-4¾
Reserve Percentage Fed. Reserve System Nov. 1 ....76.0
Reserve Notes Outstanding Nov. 1 ....$2,309,000,000
Bank Rediscounts (with F. R. Banks) October 25 ....$316,267,000
Sterling Exchange Index Federal Reserve Board 91.04%
Net Gold Impts. Sept. $28,000,000
Commercial Paper Rate London (bankers three months bills Nov. 3........2 7/16
Wholesale Price Index (London Economist) October 193.8
Reserve Percentage Bank of England, Nov. 2 ....18.30

Industrial Securities

POSTUM CEREAL

Book Value of Stock $16 a Share

Your opinion of Postum Cereal is desired. What is the asset value of the stock? I hold some at 75.—W. H. L., Jacksonville, Ill.

Postum Cereal Co. capitalization consists of $5,500,000 preferred stock and 200,000 shares of common stock of no par value. Dividends of $8 per share are paid on the preferred and $5 a share on the common. In 1920, the company earned $3 a share on the outstanding common stock, in 1921, $7.90. For the first six months of 1922, $6 a share was earned. The company is in good financial condition with a working capital of over $4,000,000. The balance sheet of the company shows an asset value of about $16 a share on the stock, but the balance sheet only carries good-will and trade-marks at $1 which, of course, are worth a good many millions. At present levels of around 115, however, we regard the stock as selling high enough and our suggestion is that you take your profits immediately.

UTAH COPPER

Strong Financial Condition

Some years ago I purchased 100 shares of Utah Copper at considerably higher prices than the present market. When the coppers had their big drop in price I averaged by purchasing 150 additional shares and the 250 now stand me about 62, figuring interest on my money at 6%. I was anticipating a bigger copper market but am not so sure now in view of the European situation. What do you think? Had I better close out?—D. A. H., Minneapolis, Minn.

As you say the European situation does not look at all good and undoubtedly this is having its effect on the market for copper metal which has been somewhat easier in price. At present price level for copper only the low-cost producers are in a position to make money and even these cannot be expected to show more than moderate profits. Utah Copper is one of the lowest cost producers, making its metal at the present time for about 9 cents a pound with operations at 60% of capacity. Full capacity operations would still further reduce costs. For the quarter ended September 30, production was greater and it is estimated that about $1 a share will be shown for the stock. As financial condition is very strong, net liquid assets being equal to $10 a share, the company is in a position to pay out the major portion of its earnings in dividends. Even should copper metal not advance from present levels Utah operating at capacity should be able to maintain a $4 dividend rate. At present price of 65 we should say an increase to a $4 rate is pretty well discounted and as you can take a small profit on your holdings our advice is that you dispose of them as we feel that better opportunities can be found in other securities. Copper stocks a short time ago appeared to be in a good position to advance further but we feel that the critical European situation has made the outlook much more uncertain.

SPECIAL REPORT DEPARTMENT

We have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

S. S. KRESGE

Profit-Taking Advisable

What do you think of S. S. Kresge stock now selling around 184? I hear it is going to pay 12%. Do you believe it will sell up to 200? How are the earnings this year?—B. L. N., Lexington, Ky.

The S. S. Kresge Company has not made any report of earnings for any period during the current year, but sales continue to show increases monthly. The company is in strong financial condition and it was announced that on January 1st it would redeem all the $2,240,500 7% notes it has outstanding. Earnings are sufficient to warrant increase in the dividend rate but what action will be taken in this respect we are unwilling to predict. However, it is our opinion that the present price of the stock has discounted to a considerable extent the favorable situation of the company and while it may sell at higher prices, we are inclined to advise accepting of profits.

MARLAND OIL

Will Dividend Be Continued?

I am very anxious to get your opinion of Marland Oil stock. I hold some at about present price and in view of the fact that it is on a $4 basis and at 37 gives a return of nearly 11% on the investment I am considering the purchase of additional shares. Do you believe that the present dividend rate can be maintained?—G. O. H., Ithaca, N. Y.

Marland Oil Co. has 10 million funded debt and 937,000 shares of no par value. In 1921, which was an unfavorable year, only $1.85 a share was earned on the stock, as against $6.21 a share in 1920. Earnings in the current year have been on a very favorable basis and it is anticipated that as high as $5 a share will be earned on the stock. This, it is true, is not a very large margin over the $4 rate but the company is in comfortable financial condition and can afford to pay out a good percentage of its profits in dividends. Company owns in whole or in part 207,500 acres of active and undeveloped oil

PACIFIC OIL

Has Long Pull Possibilities but Appears High Enough as a $3 Dividend Payer

I purchased 50 shares of Pacific Oil at 58 as I understood that this company has wonderful possibilities. The big drop in price has shaken my confidence in the stock and I would like to have your advice as to whether or not I should sell out.—M. W., Pittsburgh, Pa.

Pacific Oil was apparently rushed up to levels that were not justified in view of the fact that it only pays $3 a share and that an early increase in the dividend is not likely. In the past few months there has been an important decline in the price of coast crude and this is affecting the earnings of the company so that it is by no means sure that the three dollar dividend can be continued, especially as it did not earn much above dividend requirements when crude was higher. In 1921 $4.64 a share was earned and in first six months of 1922 $1.94. We believe that the stock has long pull possibilities in view of the large acreage of undeveloped oil land that it owns, but believe that the present trend of the stock is downward. Our suggestion is to sell out as we feel that you will be able to get in again at lower prices. We are sorry you did not follow the suggestion in the Oct. 14th issue of the Magazine under the "OUTLOOK" that it was time to sell all speculative securities. You could have sold out at that time to much better advantage.

fields in the Mid-Continent field, as well as interests in Louisiana and Texas. It also owns 75% of the stock of the Marland Oil of Mexico with oil leases in the Panuco district of Mexico. Total production of the company in Oklahoma now averages 20,000 barrels daily, all of which is handled through its own pipe lines to its own refineries. Development work this year has been favorable and it appears likely that the company will be able to steadily increase its production for some time. Of course, the reduction in the price of Midcontinent crude has reduced earnings somewhat and should these lower price levels continue through 1923 it is unlikely that the present dividend rate will be continued, although we do not look for any immediate reduction in the rate. While we believe the stock to have possibilities it is decidedly speculative and not a suitable security in which to invest heavily.

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Public Utility Securities

BROOKLYN EDISON

An Attractive Specvestment

Do you consider Brooklyn Edison a good purchase at present price of about 117. I followed your advice to sell out common stocks in the October 14 issue of your magazine, and I now have funds available to purchase good stocks on recession in price. As Brooklyn Edison has dropped seven points I thought it might be a good time to pick it up.—H. U., Stapleton, N. Y.

Brooklyn Edison has been showing up very well in earnings, having reported a balance equal to $16 a share on the stock in 1921. With operating costs lower and business increasing the current year is expected to be the best in its history. Brooklyn Edison has paid its $8 dividend without a break for the past twenty years and the stock is entitled to a high rating among common stock investments. In the past three years there has been nearly a 100% increase in gross business. It would seem that the company is in a position to increase the present dividend rate at any time, although we have no information as to whether or not this is contemplated in the immediate future. While the stock has had a substantial reaction the stock market is still in a poor technical position in our opinion and likely to decline further. Under these circumstances we would favor holding off a little longer as you may be able to get Brooklyn Edison at a still more advantageous figure although we believe the stock to be well worth what it is now selling for.

BROOKLYN RAPID TRANSIT

Working on Reorganization Plan

I am interested in Brooklyn Rapid Transit securities holding some of the stock and the 7% notes. How do you regard the situation at the present time? How will the holders of these securities fare under the reorganization plan? Would you hold or sell?—G. G. L., Brooklyn, N. Y.

Committees repercsenting Brooklyn Rapid Transit stock and the 7% notes have formulated independent tentative plans for reorganizing the system. Joint negotiations are expected to begin soon and it is hoped that some plan will be announced by the first of the year although this cannot be definitely anticipated as there are a variety of interests to be satisfied. The 7% notes appear to be in a very strong position and it is anticipated that the plan will provide for their exchange into a long-term bond and the payment of the 3½% back interest due, partly in cash and partly in new securities. This in our opinion should make the notes worth considerably more than the price they are now selling for 93. The outlook for the stock is more uncertain as stockholders will undoubtedly be called upon to raise a certain amount of money, probably by subscribing to some new security such as an income bond or preferred stock. At present levels, however, the stock is not without speculative possibilities for the long pull as earnings of B. R. T. have been on a very favorable basis. For the year ended June 30, 1922, surplus after all charges was over $3,000,000. For the two months ended August 30, surplus after charges was $600,000, an increase of more than $100,000 over same period of previous year. With traffic constantly increasing still better results are to be anticipated. Suggest that you hold the 7% notes but advise switching the stock into the certificates of deposit selling two points lower as they will in all likelihood sell at approximately the same price when the reorganization plan is announced.

PACIFIC GAS & ELECTRIC

A Growing Company

Would be pleased to have you give me a brief report on Pacific Gas & Electric. I hold some of the common stock.—R. T. S., San Francisco, Cal.

Pacific Gas & Electric is a rapidly growing public utility and there is little question but that it has a bright future ahead of it. This does not mean that there is any bonanza ahead for the common stock holders as the company is subject to the jurisdiction of the Railroad Commission of California and rates are cut when earnings rise above what is considered a fair return on capital investment. For the year 1921, 8.34% was earned on the common stock, as against 6.30% in 1920. For the first six months of the current year 5.18% was shown for the common stock. At present price of 78 the stock appears high enough for a 5% payer but earnings of the company would seem to warrant a higher rate and the stock can be regarded as an attractive specvestment. The company serves directly or indirectly 233 cities and towns in the North-Central part of California, with an estimated population of 1,850,000 with gas, electricity, street railway facilities and water for power, irrigation and other purposes.

COLUMBIA GAS & ELECTRIC

Has Largely Discounted Better Earnings

Please let me have your opinion as to the advisibility of taking profits at present price of 109 for Columbia Gas stock of which I hold 200 shares purchased at an average price of about 80. There is talk of splitting up the shares, and I am undecided as to whether or not I should wait until this is done.—J. O. P., Lansing, Mich.

Columbia Gas & Electric for the first six months of 1922 earned $6 a share on its stock and it is likely that at least $12 a share will be earned for the full year. This compares with $8.60 earned in 1921 and $9.68 a share in 1920. Earnings were helped by an increase in gas rates in Cincinnati granted in November last year and lower operating costs. At present levels of 109 we feel that the stock has rather fully discounted the improvement in earnings for it is by no means sure that the company will be able to continue to operate on so favorable basis. Operating expenses in many lines are showing a tendency to increase and the effect of this may be seen in Columbia Gas earnings next year. There is no official information in regard to the splitting up of the stock although rumor has it that this will be done. If this is done it may cause the stock to advance further but we are inclined to the opinion that on the company's record to date the stock is selling high enough and as you have a very substantial profit our advice is that you take it.

DETROIT UNITED

Now On 6% Basis

Your advice regarding Detroit United stock is desired. I hold some at higher prices.—A. R. J., St. John, N. B., Canada.

Detroit United Railway Co. has outstanding a total funded debt of $34,671,500 and $15,275,000 capital stock. For the first four months of the current year net was $1,100,254, as against $376,555. The stock is speculative due to the fact that the future earning power is dependent upon an appraisal of the value of the properties and as yet the Public Service Commission has not rendered their report. However, in view of the improved earnings and general favorable outlook, the directors have resumed the dividend which was interrupted pending developments as to what valuation would be placed on the properties by the Commission, authorizing disbursements at the rate of 6% per share on the stock which

is now selling at around 75. We consider the outlook for the company sufficiently encouraging to justify holding the stock.

AMERICAN LIGHT & TRACTION

Improvement in Earnings

Please give me some information on American Light & Traction.—D. C. C., St. Paul, Minn.

American Light & Traction Co. has outstanding $6,000,000 6% gold notes due in 1925; $14,236,200 6% cumulative preferred and $28,866,300 common stock. For the 12 months ended June 30, 1922, the company showed earnings of $4,359,-879 as against $2,646,447 for the same period in 1921, equivalent to $12.14 a share, as against $5.79. Financial condition is strong, working capital amounting to over $12,000,000. The management has taken due advantage of the opportunity for more favorable operation of its public utility interest on account of lower costs, and we consider the stock a good business man's holding.

New Security Offerings

MISSOURI PACIFIC

1st and Refunding 6s

Do you consider Missouri Pacific 1st and refunding 6% bonds offered at par a desirable investment at this time?—J. M. K., Philadelphia, Pa.

Missouri Pacific 1st and refunding 6s, Series D, due 1949, are secured by a direct lien on all the railroad properties of the company and its equipment, subject to $127,103,500 prior liens, for the retirement of which, at or before maturity, 1st and refunding bonds are reserved. The refunding bonds are a first lien on 3,354 miles and a refunding lien on the remaining 3,340 miles. In 1921, income applicable to interest on this issue was $7,852,000, as against interest requirements of $2,754,000. On August 31, 1922, current assets, without including $9,249,695 materials and supplies, exceeded current liabilities by $10,432,895. The company held as part of its current assets $14,861,000 United States Government certificates and New York City Warrants. We regard this bond as a desirable investment at the offered price of 100 to yield 6%.

U. S. PUBLIC SERVICE CO. 6s

Another Bond Suggested

I have $2,000 to invest in a good bond and am considering United States Public Service 6% bonds which are being sold at a price to return 6.2%, which return is satisfactory to me. Would like a brief report on this security. Is there some other bond you would favor more with as good a return?—E. N. J., Camden, N. J.

United States Public Service Co. 1st lien 6% bonds are secured by a 1st lien on properties estimated by the company to be worth approximately twice the total funded debt. Earnings for the twelve months ended August 31, 1922, were about 2.7 times the total interest charges including the present issue. The company owns public utility properties supplying 36 cities in agricultural and industrial sections in Missouri, Texas and Illinois with electric and gas service, serving a population of about 150,000. A more attractive bond in our opinion is South Porto Rico Sugar 1st mortgage 7s selling on the New York Stock Exchange at 100 to yield 7% if held to maturity, 1941.

NEW ORLEANS PUBLIC SERVICE 5s

High-Grade Investment

Your opinion is desired of the recent offering of New Orleans Public Service, Inc. 5% bonds at 90 to yield 5.7%.—C. T., Mankato, Mich.

New Orleans Public Service Inc., Series A, 1st and refunding 5s are secured by direct mortgage lien or through pledge of collateral, subject to only $11,133,000 underlying bonds, on properties which will have a value, after giving effect to the present financing, of $51,000,000, as determined in accordance with a rate settlement with the City of New Orleans. This settlement provides that rates may be established to enable the company to earn 7½% on this valuation and the additions thereto, after taxes and reserves for renewals and replacements.

Net revenues for the past six years have averaged 2¾ times the interest on the bonded debt including the present issue. For the 12 months ended August 31, 1922, net was more than four times the interest charges. The company conducts the entire electric light, gas and street railway business of New Orleans and vicinity. These bonds can be regarded as a high-grade investment.

NEW YORK AIR BRAKE

$4 Class A Stock

I am contemplating the purchase of some New York Air Brake Class A stock but before doing so would like to have your opinion of this security.—W. F. J., Chicago, Ill.

New York Air Brake, Class A, stock is entitled to cumulative dividends of $4 per share per annum and after the common stock has received $4, both classes share equally per share in any additional dividends. Class A stock is redeemable in whole or in part after January 1, 1926, at $60 a share. It is convertible into common stock share for share. Capitalization of the company, including this issue, is as follows: 100,000 shares of no par value, Class A, 200,000 shares of no par value common and $3,-000,000 funded debt. For many years this company has been one of the largest manufacturers of airbrake equipment for locomotives, passenger and freight cars. Net tangible assets, exclusive of patents, good will, etc., as of June 30, 1922, were equal to $100 a share on the Class A shares and working capital alone was equal to $48 a share. Net income for the past ten years has averaged 2.92 times dividend requirements on the A stock and for the 9 months ended September 30 (last three months partly estimated) were 2.2 times dividend. Present volume of unfilled orders is the largest in the company's history. Sales for September were $817,000, the largest month's airbrake business in the company's history. Current business is reported as showing an even greater increase. At the offered price of 51 the Class A stock gives a very attractive yield, 7.8%. As the present dividend seems reasonably secure and there is a good chance of a higher rate in periods of prosperity we regard the A stock as an attractive specvestment.

CITY OF OTTAWA 5½s

High-Grade Canadian Municipal

How do you rate City of Ottawa, Ontario 5½% bonds recently offered to yield a little over 5%?—J. G. G., Brooklyn, N. Y.

City of Ottawa 5½% serial gold bonds, due 1923-1952, is a high-grade Canadian municipal issue and can be regarded as a gilt-edge investment. Principal and interest is payable in gold in New York. Ottawa has a population of over 100,000 and is served by nine lines of railway as well as water transport. Net funded debt is $9,179,893 which is small for a city of the size and importance of Ottawa. The short maturities of this issue offer a very desirable investment for funds that it is desired to keep in a liquid condition.

CONSUMERS POWER CO. 5s

Yield 5½%

Would like to have your rating of Consumers Power Co. 5% bonds.—S. L. O., Lawrenceburg, Ind.

Consumers Power Co. $14,000,000 1st lien and unifying bonds, Series C, due 1952, is a high grade public utility issue and a conservative investment. The company operates in lower Michigan and serves with gas and electricity one of the most important industrial sections of the country with an estimated population of 775,000. For the past ten years earnings have averaged 2¾ times bond interest and in each of these years interest was earned at least 2¼ times which indicates a very steady earning power. The value of the property is largely in excess of the outstanding bonds, which are followed by 32 million par value dividend-paying stock.

SERVICE SECTION

TRADE TENDENCIES

Business Revival Continues

Seasonal Slack in Some Industries—Demand Generally Strong

STEEL

Market Less Active

ADVERSE influences, which have marked the course of the iron and steel industry during the past few months, are still at work. The fuel scarcity reached its climax in August, but in spite of the larger production of coal following the ending of the miner's strike, there has been little opportunity to rebuild depleted reserves. Shortage of freight cars has been a more recent development tending to interfere with production by limiting the proper movement of raw materials and finished steel and, finally, the labor situation begins to loom up as a major difficulty.

Inasmuch as a larger supply of rolling stock is the key to the freer movement of both coal and steel, relief from the present shortage would smooth out the first named difficulties. For that reason the easier condition which has lately become evident is of considerable importance to the steel industry, more particularly since it is probable that the railroad situation will gradually improve.

The labor problem may not be so readily overcome. Expanding industrial activity has already taken up the slack in the labor supply and competition for workers threatens to become very keen. The country's present policy with respect to immigration is a factor of the highest importance to industry in general, since no relief from the growing shortage of common labor can be expected until there is some relaxation in the immigration laws. Under these conditions, a further advance in steel company wages seems almost inevitable. In that event, it is likely that steel-company earnings would not be very impressive.

Meanwhile, ignoring railroad purchases, generally quiet conditions characterize the present situation in iron and steel. Seasonal decline in building and automobile production are responsible for a considerable falling off in demand and it would appear that the softer tone of prices has tended to restrain aggressive buying by other interests, on the theory that stability will occur at a level below the prevailing quotations. This attitude is partly justified by the downward course of coke market with its attendant reduction in manufacturing cost of iron and steel. As suggested in previous reviews, however, too great expectations with regard to lower prices are apt to be disappointed so long as the prospect of reduced wages remains remote.

Viewing the situation broadly, it appears that the immediate trend will continue along present lines, with demand quiet and prices seeking stability on a slightly lower basis. Production for the industry as a whole should continue around 70% of capacity, the current rate, until there has been a material improvement in the transportation situation. This rate may, however, be considered satisfactory, when it is recalled that the high point of June was 75% and the low of August 50%.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1922 High	1922 Low	1922 Last*
Steel (1)	$40.00	$28.00	$40.00
Pig Iron (2)	34.00	17.75	29.50
Copper (3)	0.14	0.12⅝	0.13¾
Petroleum (4)	3.50	3.00	3.00
Coal (5)	5.75	1.75	3.45
Cotton (6)	0.24⅜	0.17	0.24⅜
Wheat (7)	1.46	1.01¼	1.22
Corn (8)	0.78¾	0.47	0.68
Hogs (9)	0.10⅝	0.08	0.09⅝
Steers (10)	0.10	0.08½	0.10
Coffee (11)	0.11⅛	0.09¼	0.10½
Rubber (12)	0.23¾	0.13¾	0.22⅝
Wool (13)	0.57	0.45	0.56
Tobacco (14)	0.20	0.18	0.18
Sugar (15)	0.05⅝	0.03½	0.05⅝
Sugar (16)	0.07	0.04¾	0.07
Paper (17)	0.04	0.03½	0.04

* Nov. 1.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per lb.; (10) Top, Heavies, Chicago. c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

COTTON

Position Remains Strong

The broadening demand for cotton goods and increasing production following the ending of the strike in New England, has forced the mills into the raw material market, aggressive buying being warranted by growing demand for cloth. At the same time, the export movement has shown some betterment, European buyers having entered the market more freely since the fact of a small crop has been definitely established.

The unusually rapid rate at which mill interests have lately been taking the crop from the farmers at rising prices has undoubtedly stimulated a broadening speculative demand which has aided in carrying the price of cot-

(*Continued on page 77*)

THE TREND

STEEL—Transportation and fuel situations slightly easier and tending to improve. Railroad buying features a demand which is otherwise quiet. Prices softening. Labor shortage hampering the industry, suggesting further wage advances.

TOBACCO—Leading companies reduce wholesale prices of cigarettes. Increasing consumption and hence greater volume of production an offset to the reduction. Trade preparing for heavy holiday business.

BUILDING—Activity tapering off in conformity with seasonal influences, but volume of construction likely to continue much greater than last year. Material prices remain firm.

SHIPPING—Ocean freight rates below level of 1913. Early improvement does not appear in prospect. Outlook for American shipping rather dubious.

COAL—Transportation conditions limiting factor in production. Buying moderate in expectation of freer supply but reserve stocks in consumer hands are low.

SUMMARY—Industrial activity continues to gain slowly but steadily, revival becoming more general throughout the country. Situation has spotty appearance, however, as seasonal slackness in the motor, tire and building industries, together with lull in steel buying, grows more pronounced. Production in other lines is expanding as the demand for goods broadens. Prices are still tending upward but the rising trend of wages and raw materials is unfavorable to large profits in many cases.

A Reply to France by Laddie Boy, The Whitehouse Airedale

(By H. I. PHILLIPS)

Dear France:

I note that Temps is at it again. Temps sounds to me like some kind of a liver pill, but I understand it is the name of a newspaper. Anyhow it is always picking on the Udryted States of Sahara and I am getting tired of it. Down here in Washington I am in a position where I can pick up a lot of information and I can assure you that from what I hear this country is getting pretty peeved at these slams.

I see where Temps now says it is a question whether the discovery of America was of any benefit to the world. It hints that Europe might have been better off if America had never been opened up. I'm thinking, however, that when you let out a yelp for help when you had your backs and bacardi to the wall a few years ago you would have been very annoyed if there had been no country like the United States to get your message.

I have a hunch that you would have been all upset if you had asked America for assistance and had got an answer like this:

> *Replying to yours of the 15th inst. in re war, troops, loans, etcetera, we beg to state that we have shut up shop. Only a few days ago we decided that Columbus had made a big mistake in discovering our country and we immediately voted to close it up and forget it was ever discovered.*
>
> *Anyhow we could not be of much help to you in winning a war as we have nothing to give you but cochineal, indigo and a few cocktail recipes.*
>
> *However, we hope you win the war. Best regards to England and Italy and the other Allies and with very many regrets that we grew up to be such an oil can.*
>
> *Very truly yours,*
> *Uncle Sam.*

A reply like that would have jarred you a bit. Am I right? On the level, France, old dear, why don't you muzzle this Temps party? We pitched in and did what we could to help you in a pinch and now you let this paper turn around and say we gave nothing to civilization except cosmetics and cocktails. You forget we also gave the world the lollypop, the nut sundae, chewing gum and near-beer. And we turned out a commodity called doughboy that was pretty good stuff. You ordered a lot of it, if we remember correctly. America also turns out a product known as lucre, which you seemed to care a lot for, too. At least you took all we would lend you and you haven't shown any speed about giving it back.

It would be just as sensible for us to shout that all France gave the world was French pastry and that the chief contribution of Paris to civilization was the Paris Garter. What I can't understand is why France don't go to some good veterinarian and be treated for the rabies right now before the case goes too far. It seems to me she is raising more trouble in Europe today than Germany ever raised in time of peace, and I am thinking that perhaps she was bitten by the kaiser or something.

During the war France was shouting pretty things about the safety of the world, the rights of small nations, the triumph of might over right, and so forth. I got the idea France was a great little human being and a good pal. I got my first shock when I got up one morning and beheld this same France as the champion of the Unspeakable Turk. I had to read the paper twice to believe my eyes but there was no doubt about it: France was championing the return to Europe of the Turk—the Turk who has a record as the champion atrocity specialist of the world—and working against Greece, the country of civilization and the classics.

Well, France won and the Turk is back in the fold with his full massacre rights restored. And now (this is what hands me the big laugh) France turns around and begins slamming the United States and saying, while fondling Turkey with one hand, that America has never done anything worth while and should be given the bum's rush.

On the level, I'm dizzy trying to reconcile the actions of France today with her actions when she was in a hot spot crying for help. Would you mind dropping me a letter and letting me know just what it all means? And would you mind crowning the editor of Temps with a coal shovel as a special favor to America?

It will be to your own interests to put on the soft pedal, old thing. Otherwise when you get into another war and ask us for help we may respond by sending you a few thousand boxes of cosmetics and a boatload of recipes for synthetic gin.

Regards to all the folks.

Laddie Boy,
Washington, D. C.
Cable Address—Dogkennel.

A HAT THAT WAS MADE IN GERMANY
Kirby in the New York World

LATEST CABLE NEWS FROM OUR LATE ALLIES

London—The Times will say editorially tomorrow: "It is now generally admitted that the United States is all a horrible mistake and should be eradicated. Its women have no souls. Its men have nothing but runover heels. President Harding is nothing more than a fair cornetist out of steady work with the Keith circuit. All that America has contributed to civilization is the one-way check book and the monthly billing device.

"There is coming to be among refined people a feeling that Columbus should have been shot for suggesting a trip to the west. As a matter of fact the greatest mistake in world history was made when the early Britons did not pass a law making it a crime for any navigators to do any sailing whatsoever except in the immediate vicinity of the British Isles.

"Much as we feel that America is a perfect duffer and an impossible bounder we intend to ask for another billion-dollar loan next Tuesday."

Paris—The Figaro today seriously raised the question whether America should be recognized as a nation or just regarded as some sort of an epidemic or rash. It charges that General Pershing spent all his time in France doing embroidery work and that America only sent two soldiers to France, both of whom left the army and went into the millinery business. The Figaro says:

"President Poincaré when interviewed today regarding America said: 'She was a good country when she had it . . . but just now France has most of it.'"

Rome—The Italian Herald-Dispatch today charges that the United States entered the war for the moving-picture interests. "Now that the war is over we feel safe in saying that America is a bust and always has been," the article states. "We shall stick to this opinion until we get dragged into another war and need some money!"

Livermore's Methods Analyzed

How He Makes His Commitments and Limits His Risk—His Minimum Prospective Profit

By RICHARD D. WYCKOFF

Note.—What interests us in presenting this series is that Mr. Livermore, with a natural and developed genius for reading the tape, made his success in buying and selling securities only after he became a spec-vestor. His principal operations are conducted just as are those of a merchant who, accurately foreseeing future demand for certain goods, purchases his line and patiently awaits the time when he may realize a profit. And just as legitimately, when he foresees an oversupply, he contracts to deliver in future goods which he believes will then be purchasable at lower prices. The outstanding value of this series is that it tells the average business man, who number 87% of our readers, and with whom both investment and spec-vestment are necessarily side lines, that one need not be a stock market genius to make money in securities. While few people are by nature gifted to become great operators, this series should be a very important contribution to stock market literature, as Mr. Livermore's methods prove that the best results may be obtained, not by active trading, but by a careful study of the factors which influence the market, trade reviews, and analyses of corporations, all of which are found regularly in The Magazine of Wall Street.

IT IS common practice in Wall Street to buy a stock because some one tells you it is going up, without regard to the relative risk or the size of the anticipated profit. That this is a grave mistake has been proven in thousands of instances during many years of Wall Street history. There were doubtless people who bought New Haven at $250 per share because they either believed or were informed that it was going up. Few of them would have been convinced if some one had told them at the time that they were risking nearly $25,000 for a possible profit of $1,000 or $2,000.

If an operator could trade in stocks without danger of loss there would be no object in endeavoring to ascertain in advance what the size of the profit might be; but so long as losses are inevitable and should be considered as part of the operating expenses, just as commission, revenue tax and interest are operating expenses, the estimated profit becomes a very important factor in successful trading.

It is almost an appalling fact that the practice of the public is to accept a profit of two or three points, but to stand for a loss ranging from ten to thirty points, and sometimes fifty or a hundred points. This means that the public reverses one of the first principles in successful stock trading which is: Cut your losses and let your profits run.

Nearly all the successful operators of the past fifty or sixty years have adopted and preached this principle. It was a by-word of Jim Keene's; it was followed by Cammack; it was practised by Dixon G. Watts, who was one of the most successful cotton speculators ever known; it was advocated by E. H. Harriman, who was once a floor trader, and who said: "If you want to be successful in trading, *kill* your losses; try to keep them down to three-eighths of a point but *never* risk more than one point." (Of course, Harriman said this from a floor trader's standpoint; such close trading is not possible to anyone who pays commissions and trades from an office.)

These great operators also followed the rule of letting their profits run. Many of them pyramided their profits, which is the same thing more intensively applied.

Jesse L. Livermore learned both these rules in bucket shops, where in his earlier years he learned how to trade. In these establishments only two points margin were required, and, when this slender margin was wiped out, he had documentary evidence that his judgment was wrong when he made the trade. This experience drilled into him both the advantage and the necessity of cutting losses short and taught him a lesson he has never forgotten, although, like everyone else, he occasionally departs from his customary practice.

"What I try to do," said he, in explaining to me his methods, "is to make my original commitment as close as I can to the danger point. After making it I watch to see if that danger point is approached; or I may close the trade out sooner because I think I am wrong; but once the stock moves several points away from the figure where I bought or sold it, I pay little attention to it until it is time to close the trade."

He seldom risks more than a few points, which means that the closer to the danger point he can start his operation, the less he ventures. Dealing in large lots of stock, he cannot slip in and out of the market as easily as a small trader whose hundred share lots are unnoticeable in the transactions of the moment. If what he calls his danger point be 50, he would begin buying somewhere between that figure and, say, 55. He cannot, like a small trader, place a stop order or limit his risk to a definite figure; but if he sees that his original judgment was in error, he will either sell at the market or wait for a strong spot on which to close out his line.

The relation between the amount of his theoretical risk and the size of his minimum anticipated profit, is a very interesting point and one which most of the public seems to overlook. Operating in stocks being a business or a profession in which a series of transactions results in a certain percentage of losses and profits, it is the operator's purpose to have these profits exceed losses after payment of all expenses incidental to the business. It is for this reason, Mr. Livermore tells me, that he never makes a trade unless he sees at least a probable ten points profit. Of course, many of his profits are much larger than this. I have stated one instance where his profits on a large line ran into fifty points, compared with which the few points which he risked on the original trade were small indeed. But in setting a minimum of ten points as his objective, it will be seen that he is leaving room for one or two losses out of three trades, without extinguishing all the profit he endeavors to secure on the third trade.

I do not mean by this that he is an active trader, for as I have explained, he usually takes a position and waits for an important swing. If he does not get it and the stock does not respond to the influences which should be effective, he concludes that he has made an error, either as to the stock or its direction, or the time at which the trade should be made. The point is that he usually makes a practice of cutting his losses according to the well-tried rule, and when a stock does move in his favor he lets his profit run until, in many instances, it reaches sizeable proportions. The ratio of profit, measured in points, is therefore greater than ten to three or ten to five. The original risk on a trade may have been, say, four points, although it may show a profit of twenty points—a ratio of two to ten—or even more than that.

Like everyone else, he has certain periods wherein his judgment is below par and he is obliged to take frequent losses; otherwise he would be the most successful operator of all time; but as he is, after all, only human, with judgment highly developed but not infallible, he treats such transactions as part of the day's work and strives to have them few enough to yield a balance on the right side of the ledger.

Take the methods followed by any

(Please turn to page 90)

Activities of the
Investors' Vigilance Committee

Cooperating With the Chambers of Commerce, Business Organizations and "The Magazine of Wall Street"

By RALPH W. BUDD, Manager I. V. C.

IN the last issue of THE MAGAZINE OF WALL STREET we gave you a brief outline of the plan under which the INVESTORS' VIGILANCE COMMITTEE, cooperating with the Business Organizations of the country, was functioning. We told you what was the part played in this plan by the local organizations. So that you may fully understand our workings from all angles, we will give you an idea of what this Committee does for the cooperating agencies.

We give them:

- Complete analyses and reports on any security selling or promotion scheme offered in any local community.
- Advance notices, by means of bulletins, on any so-called fake or fraudulent, valueless or near valueless propositions detected in any community.
- Free access to all information contained in the files of our Clearing House Department maintained at the Headquarters of this Committee.
- Complete reports on any industrial prospect applying to local Business Organization for financial assistance in the matter of plant location.
- Blanks for the reporting of information on securities or for requesting information thereon.
- Posters for display in local institutions warning the public to "Investigate before Investing."
- Individual membership cards for the members of local business organizations advising salesmen selling stocks, bonds, or other investment securities, that personal interviews will not be granted unless their propositions have been duly presented and released by the Local Vigilance Committee.
- Reprints from time to time for circulation to their membership or for reproduction in local newspapers.
- Copy for advertisements to be run by them in local papers in special campaigns on investment subjects.
- One year's subscription to "The Magazine of Wall Street," which has donated a page in each issue for setting forth the work of our Committee.

Business organizations in nearly every State in the Union have written us signifying their desire to cooperate. Each mail brings us additional members who realize the value of the service we are rendering in this nation-wide movement to eliminate dealers and peddlers of valueless or near valueless securities.

A Typical Instance

A case which brought to mind the value of our service on a national scale, was when one of our investigators was calling upon the Treasurer of a Savings Bank in a certain eastern city. The Treasurer has just made the statement that the laws of their State were such that the investors were pretty well taken care of. At that moment he was approached by a laboring man who wanted a small mortgage loan on the home it had taken him years to own. Investigation brought out the fact that he wanted to purchase a stock interest in a proposition that had been offered to him, whereby he could triple his money. According to the prospectus submitted to him he would soon be riding in his own car, his mortgage which he wanted to take out would be paid off, and a balance would soon accumulate to take care of him and his family in his old age.

The proposition submitted to this working man was immediately recognized by our investigator as one of the most daring of current promotion schemes.

The banker asked the customer to wait a day for his answer, our Headquarters was wired to for a report which came in twenty-four hours. The full facts in the case were presented to the banker, the customer was convinced and a more appreciative man could not be found. His home had been saved, the banker was convinced of the value of our services, and today the Business Organization in that city has saved thousands of dollars for its citizens by its cooperation with us.

In this case, the banker thought that the laws in his State protected them. But they didn't. The banker as well as the investor needed guidance.

Unfortunately your own State authorities may not be in a position to help. Each mail brings to citizens of your State thousands of pieces of promotion literature over which your own State authorities have no control.

Many people have said that it was up to the authorities to protect the public from this or that scheme. True, but if there are no laws covering the prosecution of many of these cases, on what can the authorities act? In one city today the Postal authorities have over one thousand cases waiting investigation with only ten Inspectors available to handle them.

Misrepresentation

The literature sent out by these promoters of fake, fraudulent, valueless or near valueless propositions, contain certain statements, but are they misrepresentations or show an intent to defraud? Usually an attorney has passed them so as to avoid technical infringement on the law. They are often so worded as to incur no legal penalty. These promoters are shrewd enough to let the reader supply the very word they don't dare print. In most cases the reader, if he becomes interested in the bunco proposition, reads the cleverly worded advertisement or circular as a definite promise, invests his hard earned savings, and then regrets when he investigates after he has invested.

In past issues of THE MAGAZINE OF WALL STREET, we have given you the "dope" on certain industrial and oil promotions, or so-called investments. There are many people today who will tell you to put your money in real estate, that it is the only safe investment. Perhaps they are right, but you want to be sure where that real estate is located.

There is traveling about the country today an exhibition car sent out by the Indian Land Service Association of Poteau, Okla. This outfit may pull into your local station, advertise in your local papers that they are there and that your chance to buy United States Government Indian Land Equities in Southern Oklahoma has arrived. They state that the properties are located in the Mid-Continent Oil Belt, lands are obtainable in different size tracts for five to ten dollars per acre, on long-time easy payments, that patents are issued by and payments made to the United States Government.

The wording of the advertisements is such that the casual reader is led to believe that he is dealing direct with a Government project, that money invested in these lands are paid to the Government and that he gets a chance to own what some day may turn out be an oil field that will turn his few $5 an acre dirt into a golden flow of what the sellers usually call liquid gold.

In the case of this outfit, however, things are different. According to information received from the authorities at Washington, under whose jurisdiction the Indian Land Affairs come, they state "the concern is a private enterprise, and is in no way connected with the United States Government. No agent connected therewith is an employee of the Government, nor is he authorized to sell Indian Tribal lands in Oklahoma, or any other State."

This page has been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Organizations of the Nation.*

The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	Nov. 1	Share
Atchison	125⅜	90⅛	111¼	75	104	76	108½	91¾	102½	6
Do. Pfd.	106¾	86	102⅛	75	89	72	95½	85	‡92½	5
Atlantic Coast Line	148½	102½	126	79⅞	107	77	124⅞	83	115¾	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	60½	33½	48¾	..
Do. Pfd.	96	77¼	80	48¼	59½	35½	66¼	52½	61¼	4
Canadian Pacific	283	165	220½	126	170⅞	101	151⅝	119⅛	142½	10
Chesapeake & Ohio	92	51⅛	71	35⅝	70⅜	46	79	54	73½	4
Chicago Great Western	36⅞	1¼	17½	6	14½	6¼	10½	4⅝	5¾	..
Do. Pfd.	64⅛	28	47½	17½	38⅜	14	24½	11½	12½	..
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	17¼	36⅜	16½	28¾	..
Do. Pfd.	181	130½	143	62½	76	29½	55	29	43⅝	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	95⅛	59	87	5
Chicago, R. I. & Pacific	..	..	45¾	16	41	22⅝	50	30¾	39	..
Do. 7% Pfd.	..	..	94¾	44	89¼	64	105	83¼	86	7
Do. 6% Pfd.	..	..	80	35¾	77	54	93¾	70¼	88½	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅜	21	61	31⅜	80½	54	‡67½	4
Delaware & Hudson	200	147½	159½	87	116	83¼	141½	106¾	127¾	9
										8½, incl. extra
Delaware, Lack. & W.	340	192½	242	160	260½	93	143	110½	132	6
Erie	61¼	33½	59½	18¾	21⅜	9½	18¾	7	13¾	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	15	26½	11⅛	19¾	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	23¾	10	20¼	7⅛	16	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	95⅞	70¼	90⅜	7
Illinois Central	162⅛	102¾	115	85¾	104	80⅞	115¾	97½	112½	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	30¼	20⅞	20⅞	..
Do. Pfd.	75½	56	65½	40	57	40	59½	52¾	‡55½	4
Lehigh Valley	121¼	62½	87⅛	50⅜	60¾	39¾	72	56⅝	67	3½
Louisville & Nashville	170	121	141⅞	103	122¾	94	144⅞	108	135⅜	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5⅛	14½	5	7⅞	..
Mo., Kansas & Texas	51⅛	17½	24	3⅛	16⅝	⅜	...	...	15¼	..
Do. Pfd.	78¼	46	60	6½	25⅛	2	...	...	40½	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	25¼	16	18½	..
Do. Pfd.	..	..	64⅞	37½	58¾	33⅜	63¾	45½	52⅞	..
N. Y. Central	147¾	90⅜	114¼	62½	84¼	64⅛	101⅛	72¼	97	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	65	23¾	91½	61⅝	85	5
N. Y., N. H. & Hartford	174⅜	65⅝	89	21½	40⅞	12	35¼	12⅜	29	..
N. Y., Ont. & W.	55⅜	25⅛	35	17	27⅜	16	30½	19¾	23⅛	3
										8, incl. extra
Norfolk & Western	119¼	84¼	147⅛	92⅝	112½	84¼	125⅛	96¼	119	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	90⅜	73½	83¼	5
Pennsylvania	75⅝	53	61½	40¼	48½	32¼	49¼	33¼	48¼	3
Pere Marquette	*36½	*15	38⅛	9½	33½	12⅛	40⅝	19	34	..
Pitts. & W. Va.	..	..	40⅜	17¾	44¾	21⅛	41⅜	23	36¾	..
Reading	89⅝	59	115½	60⅛	108	60¾	83	71⅛	80¾	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	57	43	52	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	59½	45⅞	52	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	32⅜	20⅝	25½	..
St. Louis Southwestern	40⅜	15½	32⅛	11	40	10⅞	36½	20½	33¾	..
Do. Pfd.	82⅜	47½	65⅛	28	49¾	20⅛	57	32⅜	55¾	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	96¼	78⅛	91⅝	6
Southern Ry	34	18	36¾	12½	33¼	17⅜	28⅝	17⅛	24	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	71	45¾	64¼	5
Texas Pacific	40½	10¼	29½	6½	70½	14	36	24	25⅞	..
Union Pacific	219	137¾	164⅜	101¼	138½	110	154¾	125	143⅞	10
Do. Pfd.	118⅛	79¾	86	69	74¾	61¼	80	71¼	77¼	4
Wabash	*27⅞	*2	17½	7	13⅜	6⅜	14⅜	6	9⅞	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	35½	19⅛	28⅝	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	24⅞	12¼	‡19	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅜	17¼	8	14	..
Western Pacific	..	..	25½	11	40	15	24⅞	13¾	16	..
Do. Pfd.	..	..	64	35	78	51½	64⅞	51⅝	58⅛	6
Wheeling & Lake Erie	*12⅞	*2½	27¾	8	18¼	6¼	16½	6	10	..
INDUSTRIALS:										
Allied Chem	..	..	..	..	62⅛	34	91¾	55⅛	76¼	4
Do. Pfd.	..	..	..	..	103¾	83	115½	101	113¾	7
Allis Chalmers	10	7⅝	49⅛	6	53⅞	26½	59¾	37¾	44¼	4
Do. Pfd.	43	40	92	32½	97	67¼	104	86½	96	7
Am. Agr. Chem	63⅝	33½	106	47¾	113¾	26½	42⅞	29¾	31⅜	..
Do. Pfd.	105	90	103½	89⅛	103	51	72¼	55¾	‡63	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49	31¾	38½	..
Am. Bosch Mag	..	..	..	..	143⅞	29⅛	40	31¼	35	..
Am. Can	47⅜	6⅞	68½	19¼	68⅝	21¾	74⅜	32⅛	74¼	..
Do. Pfd.	129¼	98	114½	80	107⅝	72	111	93¼	109⅜	7
Am. Car & Fdy	76½	36½	98	40	151¼	84⅛	201	141	179⅝	12
Do. Pfd.	124¾	107½	119½	100	119	105¾	125	115½	‡124	7
Am. Cotton Oil	79¼	33½	64	21	67½	15⅛	30½	19¼	22¾	..
Do. Pfd.	107½	91	102¼	78	93	35½	61	41	‡47	..
Am. Drug Synd	..	..	..	..	15⅛	4	7¼	4½	5⅝	..
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	17⅜	11⅜	11⅜	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	74¾	58	69	..
Am. Ice	..	..	49	8⅞	83½	37	122	78	108	7
Am. International	..	..	62¾	12	132¼	21¼	50⅝	30⅜	30⅛	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	42½	29⅜	34½	..
Am. Loco.	74¾	19	98¼	46⅝	117½	58	136¾	102	125⅜	6
Do. Pfd.	122	75	109	93	115	96½	121¼	112	‡119½	7
Am. Safety Razor	..	..	..	..	22	3½	8⅝	3⅝	7⅜	.25
Am. Ship & Com.	..	..	..	..	47½	4¾	25⅛	5½	21¼	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	67½	43⅝	55	..
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	63¼	103½	86⅛	102	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	46⅛	30¾	41¾	3
Do. Pfd.	..	..	..	..	96½	78	106½	91	‡104⅝	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅝	85⅞	54⅛	74¼	..
Do. Pfd.	133½	110	123½	106	119	67½	112	84	‡108½	7
Am. Sumatra Tob.	..	..	145¾	15	120½	28½	47	23¼	32¼	..
Do. Pfd.	..	..	103	75	105	64¾	71	52¼	‡60½	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	119⅛	92⅛	128¼	114½	123½	9
Am. Tobacco	*530	200	256	123	314½	104⅛	169½	129⅛	152	12
Do. B	..	..	..	..	210	100⅛	165¾	126	151	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	105	78¼	97⅛	7
Do. Pfd.	107¾	74	102	72½	110¾	88½	111	102½	‡110	7
Anaconda	54⅜	27½	105¾	24¼	77⅞	30	57	47	47¼	..
At. Gulf & W. I.	13	5	147¾	4½	192⅝	18	43¼	23½	24	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	31¼	16½	19⅞	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62¼	142¾	92¾	128½	7
Do. Pfd.	107½	100¼	114	90	111⅞	92	118	104	‡118	7
Bethle. Steel B	*51⅜	*18¾	155½	59¾	112	41⅛	82¼	55½	68⅜	5
Do. 7% Pfd.	80	47	186	68	108	87	100½	96⅜	99½	7
Do. 8% Pfd.	..	..	110⅜	92⅜	116	98	110⅜	104	‡110½	8
Calif. Packing	..	..	80	80	87⅛	48¾	86½	68	82½	6
Calif. Petro.	72½	16	48⅛	8	60⅜	15⅜	71⅞	43⅛	51¼	..

Price Range of Active Stocks

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale	Div'd $ per
	High	Low	High	Low	High	Low	High	Low	Nov. 1	Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29½	86	63	98½	83	92¾	7
Central Leather	51¾	16½	123	25⅞	116⅝	22⅛	44⅛	29⅜	37½	..
Do. Pfd.	111	80	117½	94⅞	114	57⅝	82¾	63⅝	74¾	..
Cerro de Pasco	..	..	55	25	67½	23	41⅜	32¾	35½	..
Chandler Mot.	..	..	109⅞	56	141¼	38¼	79¼	47¼	61⅛	6
Chile Copper	..	..	39¾	11¼	29⅛	7¼	27	15⅛	24	..
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	33⅜	25⅜	24½	..
Coca Cola	..	..	..	..	43⅝	18	82¾	41	76½	4
Colum. Gas & E.	..	..	54⅛	14¼	69	39¼	114⅞	64⅜	106	6
Columbia Graph	..	..	*166	*97	75¼	2⅜	5¼	1¼	3⅛	..
Consol. Cigar	..	..	..	..	80	13½	42¾	18⅝	35¾	..
Consol. Gas	165¼	114½	150½	112½	106⅜	71¼	145¾	85	135½	8
Corn Prod.	26½	7⅜	50½	7	105¼	46	132	91¼	126¼	6
Do. Pfd.	98½	61	113½	58⅛	112	96	120⅝	111	‡119	7
Crucible Steel	19⅜	6½	109⅞	12¼	278½	49	98⅜	52¼	74¾	..
Cuba Cane Sugar	..	..	76⅛	24⅞	59⅜	5⅜	19¾	8⅛	12¾	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	28	14½	21	..
Fisk Rubber	..	..	..	..	55	8¾	19½	11¼	12	..
Freeport Tex.	..	..	70½	25¾	64⅜	9½	27¼	12¼	22⅝	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	73¾	55⅛	57	..
Gen'l Electric	188½	129¾	187¼	118	176	109½	189	136	176	8
Gen'l Motors	*51¼	*25	*850	*74½	42	9⅜	15¼	8⅛	13½	..
Do. 6% Pfd.	..	..	99½	72¾	95	63	86	69	‡83	6
Do. 6% Deb.	..	..	..	..	94¾	60	86	67¾	82½	6
Do. 7% Deb.	..	..	..	..	94	69	100	79½	95	7
Goodrich	80½	15½	80¼	19⅜	93⅜	26⅝	44⅞	31	31	..
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	91	80½	83	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	45⅝	31⅜	33	4
Houston Oil	25½	8¼	86	10	116½	40½	91¾	70	79½	..
Hudson Motors	..	..	..	..	..	..	24	19½	19⅞	2
Hupp Motors	..	..	11¾	2½	23¼	4⅝	23⅜	10⅞	21	1
Inspiration	21⅜	13⅞	74¾	14¼	68⅞	28	45	33⅛	33⅛	..
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67¾	7⅛	27½	12	12	..
Do. Pfd.	27⅜	12½	125⅝	8	128½	36	87⅜	52⅜	52⅜	6
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	19¾	11¼	14½	..
Inter. Paper	19¾	6½	75½	9½	91⅜	30¼	63⅞	43½	56⅞	..
Invincible Oil	..	..	..	..	47⅛	5½	20¼	12⅛	15⅛	..
Island Oil	..	..	..	..	7⅛	2	3	½	½	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	53⅜	34¼	40	..
Do. 8% Pfd.	..	..	101	72	110¼	70¼	107¾	90½	‡98½	8
Kennecott	..	..	64¼	25	43	14⅝	39⅝	25½	31⅜	..
Keystone Tire	..	..	46½	11	126¾	8¼	24⅜	6¼	6¼	..
Lackawanna Steel	55½	28	107	26½	107¾	32	85	44	78	..
Loews, Inc.	.	..	..	..	38⅜	10	23¼	11	19	..
Loft, Inc.	..	..	..	..	28	7⅜	14⅛	9	12¾	1
Mexican Pet.	90½	41¾	129⅝	46½	264	84½	232	106¼	220	12
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	31⅜	25¾	26¼	2
Middle States Oil	..	..	..	..	71¾	10	16	11⅝	12	1.20
Midvale Steel	..	..	98½	69½	62⅛	22	45½	27⅛	29¾	..
Nat'l Lead	91	42½	74⅝	44	94½	63½	114⅞	85	‡109	6
N. Y. Air Brake	98	45	136	55⅞	145¾	47½	41⅝	32½	32½	..
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	46	23	29⅞	2½
North American	*87⅞	*60	*81	*38⅞	46	32¼	100¾	44⅛	94	5
Do. Pfd.	..	..	..	..	41½	31⅞	47¼	38	‡45¾	3
Pacific Oil	..	..	..	..	50⅜	27½	69⅜	44⅜	45⅞	3
Pan. Amer. Pet.	..	..	70¾	35	140¼	38⅛	95¼	48⅞	88¼	8
Do. B	..	..	..	..	111¾	34⅛	94⅛	44	86	8
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	45⅜	31½	40⅜	3
Phillips Pet.	..	..	..	..	44½	16	59¼	28¼	45	2
Pierce Arrow	..	..	65	25	99	9¼	24⅝	8	12	..
Do. Pfd.	..	..	109	88	111	21	49	18⅞	26¾	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	45	72⅝	57¾	58½	..
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	95¼	63	81	..
Do. Pfd.	115	88½	109⅛	69	106	83	106	91	‡99½	7
Punta Aleg. Sug.	..	..	51	29	120	24¾	53¼	30¾	42½	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	38⅝	26¾	28⅜	2
Ry. Steel Spg.	54½	22¼	78½	19	107½	67	126¼	94	114	8
Do. Pfd.	113¾	90¼	105½	75	112	92½	117	108¼	‡120	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	19	13	13	..
Replogle Steel	..	..	..	..	93½	18	41	25½	26¾	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	78⅝	46¼	48	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	75⅛	95½	74	83¼	..
Republic Motors	..	..	77	81	74½	5	14½	1¼	1¾	..
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	67	47¼	54½	4.13
Shell T. & T.	..	..	..	..	90¼	30⅞	48½	35⅝	36¼	1.55¼
Sinclair Con. Oil	..	..	67⅛	25¼	64⅛	16½	33¾	18¾	32	2
Sloss Shef. Steel	94⅝	23	93¼	19½	89	32½	54½	34½	42	..
Stand. Oil N. J.	*448	*322	*800	*355	212	124½	250½	169	210	5
Do. Pfd.	..	..	..	..	114½	100⅛	118¼	113⅜	116⅞	7
Stromberg Carb.	..	..	45¼	21	118⅛	22⅛	59⅝	35¼	51½	4
Studebaker	49½	15¾	195	20	151	37¾	139½	79⅛	124⅞	10
Do. Pfd.	98⅛	64½	119½	70	104½	76	118	100	117	7
Superior Steel	..	..	96	30¼	60	26	39½	26	31	..
Tenn. Cop. & Chem.	..	..	21	11	17⅛	6¼	12¾	9	9	..
Texas Co.	144	74½	243	112	57⅜	29	52¼	42	47⅜	3
Tex. Pac. C. & O.	..	..	..	..	195	15¾	32¾	22⅛	22⅛	1
Tobacco Prod.	145	100	82⅜	25	115	45	67	52	52	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	20⅛	7½	14⅛	..
United Fruit	208½	126½	173	105	224⅞	95¾	162	119¾	149½	8
Un. Retail Stores	..	..	..	..	119¼	45¼	87⅛	43½	79⅛	..
U. S. Food Prod.	41⅜	9¾	64¾	5½	91⅜	8½	10⅛	2¾	6	..
U. S. Ind. Alco.	57¼	24	171½	15	167	35¼	72⅞	37	68¾	..
U. S. Rubber	59½	27	80½	44	143¾	40½	67¼	49½	51¼	..
Do. Pfd.	123½	98	115¼	91	119½	74	107	91	95½	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	26	45¾	32¾	38	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	111½	82	104⅛	5
Do. Pfd.	131	102½	123	102	117½	104⅛	123	114¼	121⅞	7
Utah Copper	67½	88	130	48½	97½	41⅛	71½	60⅝	61	2
Vanadium	..	..	..	..	97	25⅛	53¾	30¼	37	..
Va.-Caro. Ch.	70¾	22	60¼	15	92½	20¾	36⅞	25	25	..
Do. Pfd.	129½	62	115¾	80	115⅞	57¾	82	58	‡61	..
Western Union	86¼	56	105½	53⅜	94	76	121½	89	110	7
Westinghouse Mfg.	45	24⅜	74⅞	32	59⅞	38⅞	65⅛	49⅛	59½	4
White Motors	..	..	60	30	86	29¼	54	35⅛	47½	4
Willys Overland	*75	*50	*325	15	40¼	4⅜	10	4⅜	5⅜	..
Wilson Co.	..	..	84¼	42	104⅞	27½	50½	27⅛	38½	..
Woolworth	177⅜	76⅛	151	81½	139¾	100	139½	137	185¾	8

* Old stock. ‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(Continued from page 56)

BROWN SHOE COMMON

Dividend Expected Soon

I am holding 100 shares of Brown Shoe common bought at 53. Please give your opinion of the 6% dividend.—L. O., Kankakee, Ill.

We are favorably impressed with the outlook of Brown Shoe common stock. This company is in good financial condition and its plants have been operating close to capacity for the past year. While no official statement of earnings has been given out for this year, it is estimated around $10 a share will be earned on the stock. It is thought that this stock will be placed on a dividend basis in the near future, but whether the rate will be 5 or 6 per cent we do not know. At the present time the market is reactionary and we are inclined to the opinion that lower prices will be seen, so that it might pay you to sell out Brown Shoe with the idea of purchasing it back lower down. If you do not care to take the chance of losing your position in the stock, however, we feel it is all right to hold as ultimately higher prices will probably be seen.

MIAMI COPPER

Operating 95% Capacity

Please let me have some information on Miami Copper.—D. M., New York City.

Miami Copper Co. has outstanding $3,735,000 capital stock, par $5 a share. The company is one of the low-cost copper producers making its metal for around 9c. a pound and although earnings for 1921 did not show dividends covered, due to the practical stagnation in the copper industry and low prices for metal during that year, the company is in a position to operate to advantage on the basis of present prices. It is now producing at around 95% capacity. The company is well managed, is in excellent financial condition and any purchase on a material recession will, in our judgment, prove a good speculation.

MERRITT OIL

In Big Muddy District

As I have some Merritt Oil stock I would like to know something about the company and will appreciate any information you can send me.—D. J. R., New York City.

There is very little information available in regard to what Merritt Oil is doing this year. In 1921, the company reported net earnings of about $1,000,000, but it made heavy charges for depreciation and depletion which resulted in the loss of $250,000. The company is in very good financial condition with about $1,500,000 cash on hand and no debt except current bills. Merritt owns 6,600 acres in the Big Muddy district of Wyoming of which 4,000 acres have proven productive. Its production is understood to be between 2,500 and 3,000 barrels per day. The company acquired some new property in the Mexia district, but, we understand this has not proven a profitable venture as yet. The decline in the stock may be due to the fact that the company has not been successful in increasing its production this year. At present levels, it would seem to us, the stock has fairly good speculative possibilities.

AMERICAN TOBACCO

Earnings Very Satisfactory

I hold some American Tobacco stock for investment which I could sell out at present prices with a good profit. As this stock pays 12%, however, the return at present price of 160 is liberal and I prefer to hold the stock if you consider the dividend reasonably safe. How are earnings running?—S. H. L., Chambersburg, Pa.

We see no good reason to doubt the continuance of the 12% dividend on American Tobacco stock at the present time as the company is in excellent financial condition having called for retirement November 22 $10,000,000 7% notes that did not mature until November 1, 1923. This reduces the funded debt to $1,737,000. In spite of the retirement of these bonds the company has ample working capital for its needs. In 1921, American Tobacco earned $16.84 a share on its common stock and in 1920 $13.38. Earnings in the current year are reliably reported to be running in excess of the 1921 earnings and it would not be surprising if as high as $18 a share is earned. Increased volume of business and economies in management, together with lower cost of raw materials, has resulted in a steady growth of profits. Of course a common stock such as this must be regarded as more or less speculative as contingencies, not to be foreseen now, may arise that would reduce earning power. The stock at the present time, however, is in a strong position though of course subject to temporary speculative influences and we believe it to have good long-pull possibilities.

TEXAS CO.

One of the Strongest Oil Companies

As the holder of 200 shares of Texas Co. stock I have been very much disappointed by its market action in the past few months for while the Standard Oils have scored substantial advances Texas stock has done little and is now selling about in the same range as in the spring. Have you any explanation for this and do you consider the stock a good one to hold as a long pull specvestment?—D. N. V., Greenwich, Conn.

One explanation as to why Texas Oil Co. did not join to a greater extent in the upward move enjoyed by the Standard Oil group is that the stock of this company is more widely distributed than is the case with the Standard Oil shares and as its stock issue is very large, 6,578,000 shares, it takes a much larger buying power to move it. Texas Co. is one of

the strongest oil organizations in the country, owning producing properties in the United States with a production of about 75,000 barrels a day, extensive refineries, tank cars and tank steamers. It also maintains a highly efficient selling organization. In financial position Texas is stronger than most companies. Cash position was so good that it has paid off since the first of the year $27,700,000 7% serial notes out of the funds on hand without any additional borrowing. In 1921, only $1.54 a share was earned but this poor showing was largely due to write offs for inventory depreciation. No report of earnings for 1922 has been made public but a highly favorable showing is anticipated as Texas Co. at the beginning of the year was holding 75,000,000 gallons of gasoline made from low-cost crude and which it disposed of during the Spring and Summer demand at a high margin of profit. We regard the stock as an attractive long-pull spec-vestment, if it can be secured at a more favorable price than the present.

CALIFORNIA PACKING

Improved Earnings This Year

How do you regard California Packing stock?—S. F. J., Flushing, N. Y.

The California Packing Co. has outstanding 471,480 shares of capital stock of no par value. The corporation is engaged in the packing and shipping of California dried fruits, Hawaiian pineapple and salmon. It is an important factor in the industry and has developed a good earning power. For the year ended February 28, 1922, earnings were $4.75 a share as against $6 a share paid on the stock, but this covered a period of very adverse conditions in the industry and it is understood that operations now are more than sufficient to cover the dividend payment. Balance sheet showed a working capital of around $12,000,000. However, we are of the opinion that the stock at present prices has to a considerable extent discounted the improved situation of the company and we do not favor a commitment in the stock at present levels.

CARIB SYNDICATE

Large South American Holdings

Please send me a report on Carib Syndicate. — S. A., Jersey City, N. J.

On July 7th, 1921, the stockholders of the Carib Syndicate ratified the sale of its property assets to a new company, Carib Co. Inc., with a capital of 10,753 shares of $25 par value. Carib Syndicate will receive 49% of the stock of the new company. The Texas Company will control and manage the new company with option to purchase 51% of the stock for $5,000,000 and, within stipulated limits, will advance the sums required by the new company. The latter company also controls by stock ownership, purchased option or lease, a substantial interest in about 3,500,000 acres in Colombia, S. A., 250,000 acres in Panama and 450,000 acres in Venezuela. The stock

(*Please turn to page* 90)

Current Bond Offerings

INDUSTRIALS were a feature of the new securities market, practically dominating the entire list. During the past two weeks, no less than two-thirds of the total new issues comprised industrial bonds. The largest of these issues was the $35,000,000 offering of the Gulf Oil Corporation in debenture 5s maturing in 15 years and offered at a yield of 5.30%. The next important issue was the $7,500,000 5% issue of the American Smelting & Refining Co. These bonds mature in 25 years and were offered at a yield of 5.45%. Other industrial issues were of varying sizes but were of comparatively small companies.

The State and municipal offerings were almost all of small size. The only important feature was the slightly higher offered yield, evidently a result of the general firming-up of money rates. There was practically no activity in the railroad or foreign group.

Decline in Bonds

The prevailing quiet in the new bond market is undoubtedly due to the effect of the reactionary character of the old bond market during the past two weeks. In this period, all classes of bonds declined, from Government issues to those of second-rate character. Public confidence in bonds temporarily has been dissipated and this undoubtedly will have an effect in the period immediately ahead on the amount of bonds to be offered for public subscription.

NEW BOND OFFERINGS

	Amount	Yield Off'd (%)
STATE AND MUNICIPAL		
Knoxville, Tenn.	$1,000,000	4.75
Minneapolis, Minn.	1,120,000	4.20
Wilmington, Del.	900,000	4.25
PUBLIC UTILITY		
Power Corp. of N. Y.	$5,000,000	6.50
RAILROAD		
Cent. Vermont Ry.	$754,000,000	5.00–5.75
FOREIGN		
Repub. of Colombia	$5,000,000	7.00
LAND BANK		
Atl. Joint Stk.	$1,500,000	4.65–5.00
South. Minnesota Jt. Stk.	5,000,000	4.62–5.00
INDUSTRIAL		
Am. Smelt. & Ref.	$7,500,000	5.45
Wm. Davies Co., Inc.	2,500,000	6.09
Central Paper Co.	1,100,000	6.50
Rolls-Royce of Amer	2,000,000	7.20
Renfrew Mfg. Co.	1,000,000	7.00
Gulf Oil Corp.	35,000,000	5.30

As indicated by offered yields on State, municipal and land-bank issues, the higher money market now prevailing is having its effect, though it is not yet a particularly strong one. Apropos of tax-exempt issues, there seems to be a well-defined tendency among influential members of Congress to amend the Constitution so as to prevent further issues of this character. Should this come about, it would add enormously to the value of tax-exempt issues already in existence. Probably, in such a case, very large profit opportunities will be found in this list, where such opportunities are generally least expected.

THE BANKING SITUATION

(*Continued from page* 54)

Assuming that this is true it might be inferred that the system as a whole would show an increase in the loan and discount item of, say, 700 millions. That this increase should bring about a reflected increase during the past four weeks of 250 millions or thereabout in reserve banks shows that there is very little margin so to speak in the commercial banks of the country. The "slack" which exists there is comparatively small and easily taken up with the result that the reserve banks are very sensitive to changes in demand.

Crop-Moving Demands Smaller

Crop-moving demands, however, are very much smaller this year than last as shown by the fact that during the crop-moving season in 1921, Federal reserve banks were obliged to create an inter-reserve bank portfolio amounting to over 600 millions while this year none of them has had to borrow and none is expected to. Each district has been self-contained, and has been able to provide for its own needs. In part, this condition of self-dependence has been produced by the ability of the banks to throw overboard some securities. The sale of liberty bonds has continued, banks gradually disposing of them in order to provide themselves with the funds that they need for loans to their customers. This clearly appears from the line on the chart representing stocks, bonds, etc., which is now tending downwards, while line 6 showing commercial loans, is moving slowly upward. In Federal reserve banks, the pronounced upward swing of line 8 indicating total discounts is noticeable, as is also line 9 which depicts total earning assets.

Money and Credit Situation

The beginnings of a money and credit situation in which demands upon the reserve banks increase along with the increase of bank customers upon their banks, with accompanying advances in rates is thus indicated despite temporary fluctuations or recessions from time to time. Good policy appears to point to the lightening of bank-investment portfolios in order to realize on bonds at their present rates and avoid adding to the strain upon Federal reserve banks which naturally leads to probability of higher rates or more difficult borrowing conditions.

AMERICAN LINSEED CO.

(Continued from page 31)

in a financial way at the end of 1921. During 1915, 1916 and 1917 the balance sheet of American Linseed showed no notes payable. At the end of 1918, notes payable were 8 million—rose to 10 millions in 1920 and were still 8 millions at the end of 1921. Thus for four successive years, notes payable outstanding have averaged at least 50% of the preferred stock and naturally the carrying costs have been considerable.

It is the impression in some quarters that the Standard Oil interests stand ready to help out American Linseed through the medium of short term loans, and this may account for the fact that notes payable have averaged as high as they have, without apparently causing any great concern to the management. However, the idea is present that it might sometimes be advisable, or good policy, for American Linseed to fund its floating debt in a more permanent fashion. It is likely that conservative outsiders who might possibly be interested in the shares of the company would prefer to see an item like notes payable substantially reduced, or else some kind of a permanent financial policy decided upon.

As a result of drastic deflation, net working capital was less than 2 millions at the end of 1921, as compared with over 7 millions at the end of 1920, and in fact the general financial position of the company, at the end of last year, as shown by the balance sheet, suggests that before the resumption of dividends upon the preferred stock can be considered, there should be a restoration of balance sheet, or to express it another way, financial position.

Conclusions

The dividend record of the 7% non-cumulative preferred which is outstanding to the amount of $16,750,000, has been rather irregular. From 1901 to 1916 inclusive, no dividends were paid, but from 1917 to July, 1921 the regular $7 a share annually was distributed. The stock has fluctuated narrowly this year, having ranged between 52½ and 63½. **It is an issue which, in the opinion of the writer, might better be left alone for the time being and watched until it can be more definitely determined how the company has fared in a business way this year.**

From the organization of the company in 1898 no dividends were paid upon the $16,750,000 common stock until 1919, when payments at the rate of $3 per year were inaugurated. This rate continued until March, 1921, when distributions were suspended. The stock made a low of 29⅜ last January, and from that point climbed to 42½ in the middle of October. It is now not far from the high point. **There is apparently no reason to expect any near restoration of dividend payments and the shares are not especially attractive at current levels.**

FOREIGN TRADE AND SECURITIES

(*Continued from page* 19)

any other in the event of a war, just as today in peace time it is in the poorest position of any of our major industries and has the slightest possibilities of getting out of it in the normal course of events.

Summarizing, we find that in the event of war, out of ten of our great industries having a very close connection with foreign trade, shipping would be rescued by it as an economic proposition; the wheat, steel and oil industries would be enormously stimulated; copper would be improved slightly; cotton, sugar and fertilizers would be hurt in various degrees; and the shoe, leather and automobile industries would be very severely damaged.

Our financial position, both governmental and private, would be hurt impartially on both sides, irrespective of who won or lost. Under these conditions, our economic situation with respect to Europe would be that of neutrality, with perhaps a leaning in favor of the allies. Whether this would have any reflex on our political or diplomatic attitude is of course a question totally outside of the limits of this analysis.

From the economic point of view, of course, a war is to be considered as nothing more nor less than a period of greatly increased consumption. To the nation engaged in the war, this is its sole significance, and a war is strictly comparable with such a period of inflation as we had in this country from 1919 to 1920. To other countries, however, not actually engaged in the war, but occupying a complex relation, composed of various financial, commercial and industrial factors, to the various belligerents, the war cannot be dismissed in such simple terms.

For the United States, in particular, owing to her peculiar combination of economic isolation and financial strength, a new war would bring problems whose extent and direction we have attempted to sketch in the foregoing paragraphs.

WHY STOCK DIVIDENDS?

(*Continued from page* 15)

previously discussed: shares of smaller par value have a wider appeal among speculators—and even investors. Anticipating a stock dividend, and knowing that the result will be to attract more buyers for that class of securities, traders will rush to acquire the shares of the company before the dividend declaration. Consequently, the demand for the shares would have a tendency to increase and the price to go up.

This more than balances any unfavorable effect on the stock prices due to reducing the possibility of higher cash dividends when the surplus is capitalized.

I do not wish to undertake to presume on a field not of my own in venturing opinions as to stock-market movements, and I trust I have not done so. My endeavor is merely to put the hard facts before the public, and I think I have shown that there are many reasons (in addition to those advanced by directors of companies taking stock-dividend action, and financial authorities in general), for the utilization of large surpluses for distribution of stock dividends. And I believe I have also shown that, while such action is in many ways advantageous to the company, it is of no material benefit whatsoever to the stockholder, fundamentally, except as it strengthens the company.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$4	Am Bank Note com.	$1.00	Q	11- 1	11-15
—	Am M & Fdy (stk).	200%	—	10-19	11-15
$3	Am Metal common..	75c	Q	11-20	12- 1
$7	Am Metal pfd......	$1.75	Q	11-17	12- 1
12%	Amparo Mining	3%	Q	10-31	11-10
$4	Amer Radiator com..	$1.00	Q	12-15	12-30
$5	Amer Tel & Cable...	$1.25	Q	11-30	12- 1
7%	Am Wa Wks 1st pfd	1¾%	Q	11- 1	11-15
$6	Beacon Oil com.....	50c	mo	10-16	10-30
5%	Beth Steel com A..	1¼%	Q	12-15	1- 2
5%	Beth Steel com B..	1¼%	Q	12-15	1- 2
7%	Beth Steel new pfd.	1¾%	Q	12-15	1- 2
48c	Beech Nut Pack com	4c	mo	11- 1	11-10
7%	Beth Steel 7% pfd..	1¾%	Q	12-15	1- 2
8%	Beth Steel 8% pfd..	2%	Q	12-15	1- 2
$6	Bigelow-Hart Ca c..	$1.50	Q	10-21	11- 1
$6	Bigelow-Hart Ca pf.	$1.50	Q	10-21	11- 1
$8	Brooklyn Edison....	$2.00	Q	11-17	12- 1
7%	Brunswick B C Co c	1¾%	Q	11- 5	11-15
$6	California Packing..	$1.50	Q	11-30	12-15
—	Calumet & Hecla M.	$5.00	—	10-27	12-15
8%	Cen Ariz L & P com	2%	Q	10-31	11-15
8%	Cen Ariz L & P pfd.	2%	Q	10-31	11-15
$8	Central R R of N J.	$2.00	Q	11-10	11-15
6%	Milwau E R & L pfd	1½%	Q	10-20	10-31
$4	Mohawk Mng........	$1.00	Q	10-14	11-15
8%	Montreal L H & P..	2%	Q	10-31	11-15
10%	Montreal Tramways.	2½%	Q	10-20	11- 2
$8	Colo Fuel & I pfd..	$2.00	Q	11-10	11-25
$6	Col Gas & Elec....	$1.50	Q	10-31	11-15
$8	Commonw Edison...	$2.00	Q	10-14	11- 1
$8	Consol Gas.........	$2.00	Q	11- 9	11-15
6%	Cont P & B Mills c.	1½%	Q	11- 8	11-15
6%	Cont P & B Mills pf.	1½%	Q	11- 8	11-15
9%	Delaware & Hudson.	2¼%	Q	11-27	12-30
$8	Diamond Match....	$2.00	Q	11-30	12-15
$7	Goodrich B F pfd...	$1.75	Q	12-22	1- 2
—	Hamilton Brown S...	1%	—	....	11- 1
7%	Illinois Central com.	1¾%	Q	11- 3	12- 1
10%	Lancaster Mills com.	2½%	Q	11-24	12- 1
7%	Lancaster Mills pfd.	1¾%	Q	10-34	11- 1
$2	Lee Rubber & Tire..	50c	Q	11-15	12- 1
8%	Lehigh Coal & N...	2%	Q	10-31	11-29
12%	Liggett & Myers com	3%	Q	11-15	12- 1
12%	Liggett & Myers c B	3%	Q	11-15	12- 1
7%	Lindsey Light pfd...	1¾%	Q	10-28	11- 1
$4	Lima Locomo com..	$1.00	Q	11-15	12- 1
7%	Lima Locomo pfd..	1¾%	Q	11-15	12- 1
$5	Mass Gas com......	$1.25	Q	10-14	11- 1
$8	Mass Gas pfd......	$2.00	SA	11-15	12- 1
$1	Moon M Car com...	25c	Q	10-16	11- 1
7%	National E & S pfd.	1¾%	Q	12- 9	12-30
$1	New Cornelia Cop...	25c	Q	11- 3	11-20
4%	New Eng F & P....	1%	Q	10-25	10-31
$4	Norfolk & W pfd...	$1.00	Q	10-31	11-18
$5	Northern Pacific.....	$1.25	Q	10- 2	11- 1
$7	Norfolk & W com...	$1.75	Q	11-29	12-19
—	Norfolk & W com...	$1.00	Ext	11-29	12-19
$8	Pan-Am Pet com A..	$2.00	Q	12-31	1-20
$8	Pan-Am Pet com B..	$2.00	Q	12-31	1-20
—	Pan-Am com A (stk)	25%	—	11-17	12-11
—	Pan-Am com B (stk)	25%	—	11-17	12-11
8%	Penn Coal & Coke..	2%	Q	11- 6	11-10
6%	Penn Railroad	1½%	Q	11- 1	11-28
$6	Pittsburgh & W Va	$1.50	Q	11- 1	11-29
$7	Pressed S Car pfd..	$1.75	Q	11- 8	11-29
$2	Pure Oil com.......	50c	Q	11-15	12- 1
4%	Reading Co 1st pfd..	1%	Q	11-28	12-14
$8	Southern P Line....	$2.00	Q	11-15	12- 1
5%	Southern Ry pfd....	2½%	SA	10-31	11-15
8%	Stand Milling com...	2%	Q	11-17	11-29
6%	Stand Milling pfd...	1½%	Q	11-17	11-29
—	St Oil of Cal (stk)..	100%	—	12- 9	12-30
8%	Stern Bros pfd......	2%	Q	11-15	12- 1
$4	Stewart-Warner com.	$1.00	Q	10-31	11-15
10%	Tampa Electric......	2½%	Q	11- 1	11-15
$7	Union Tank Car com.	$1.75	Q	11- 6	12- 1
$7	Union Tank Car pfd.	$1.75	Q	11- 6	12- 1
$5	Wells Fargo Express.	$2.50	SA	11-20	12-30
6%	West Penn Co pfd..	1½%	Q	11- 1	11-15
$1	Will & B Cand com.	25c	Q	11- 1	11-15
$1	Wright Aero	25c	Q	11-15	11-30

AMERICAN SMELTING CO.

(*Continued from page* 47)

conditions, are profitable, it is obvious that the improved condition of affairs in Mexico is of decided importance to the company.

As to how large earnings are likely to be, it is impossible to say at this time. It is important that in 1913 and 1914, which were by no means startlingly good ones for the industry, American Smelting turned in profits of $7.47 and $6.51, respectively. **If American Smelting did no better next year, it should be in a position to resume its dividends on the common stock.**

In the meantime, its securities have done a good deal toward discounting the improvement in the affairs of the company. The 5% bonds, due 1947, are again selling at a price to yield about 5¼% whereas a year ago they could be had at a price to yield 6½%. The 7% preferred stock is again back to a 6¾% basis—where, incidentally, it is still very attractive from an income view-point—whereas a year ago it could be had to yield better than 10%.

The common stock, of course, gives no return as it has not yet been restored to a dividend-paying basis. It has had an excellent advance, however, in the past year from a price of about 30 to a high of 67. It is now selling around 60 where it is sufficiently high for a non-dividend paying issue.

BUSINESS MOVEMENTS & SECURITIES

(*Continued from page* 17)

full scope of probable increase in business activities itself cannot be accurately determined. It is apparent, however, from a broad survey of industrial and trade conditions in this country that a decided upward swing is in progress and that its momentum is sufficiently great to create a situation whereby growing demand for credit will become a more familiar phenomenon than it is even at present. In other words, it is difficult to see how money rates can decline in the near future, owing to the growing pressure of commercial demands. Since business comes first and securities second, it is obvious that the further decline in the money supply would have the effect of further reducing the amount available for stock-market speculation, though that amount is still large enough to permit activity in securities on a reasonable scale. It is nevertheless apparent that money conditions have changed in such a way as to prohibit undue speculation. Needs for business will be well taken care of until such time as inflation commences to make rapid progress, in which case we shall probably reach a point where limitations on business expansion will have to be put into effect via the old and extremely efficient route of higher and higher interest rates.

IF I HELD 100 SHARES OF ———

(Continued from page 49)

an exchange would constitute a rather vividly contrasting choice, but the recommended security would at least pay its way!

Superior Oil

In much the same category as the issue outlined above is the stock of the Superior Oil Corporation, except that this unit is practically entirely a producing proposition. As such, it is interesting to determine what stability of earning power it has been able to show since organization. Unfortunately, we are restricted to a comparison between two highly abnormal years—1920 and 1921—so it is not desirable or fair to stress the results shown.

In 1920, the records show, Superior Oil enjoyed a gross income of over 3 million dollars. In 1921, its gross was 1.8 millions—or less by 39%. In 1920, earnings of $1.20 a share were indicated. In 1921, total income (after costs, etc.) was only $818,581, and depletion and depreciation produced a deficit of $1,550,032. As of December 31st, of the earlier year, Superior had a working capital of $147,000 (in round numbers)—not a very large sum, but larger by some $123,000 than that at the end of last year.

Superior Oil has effected a 10-year contract with a Standard Oil unit for the sale of its total production "so long as crude oil shall be produced in paying quantities." The contract was effected in June, 1920—in other words, it might have been effected under less good market conditions. This apparently assures a market for the company's oil, but it also apparently limits its profit-potentialities, which is the primary appeal of the producing enterprise—a conjecture strengthened by the action of the shares since 1919. In that year, they sold above 20. Last year, they sold as low as 3¾. Today, they are around $5.

The capitalization consists solely of 982,208 shares of capital stock of no par value. It is not receiving dividends. There seems to be no market confidence in the issue, which is now selling only slightly above the low for the year, as against the year's high of around $10.

As a holder of 100 shares of Superior Oil, the writer would sell and wait for the proper time to switch into a $500 commitment in Cosden & Co. It is an older company, came through 1921 in good shape, has strengthened its capital position and its shares are income-bearing.

Skelly Oil

As the final one of the securities for discussion here—although not, by any means, the last one that could be discussed—there is Skelly Oil.

Skelly was formed in 1919, together with the innumerable other independents which that year's oil market gave birth to. It is a concern of substantial dimensions, and, as an independent it has a comparatively excellent record. It owns over 150,00 shares of developed and undeveloped leases in Kansas, Oklahoma, Texas, Louisiana, Arkansas and Illinois. A year ago the company had over 530 producing wells.

Skelly Oil became the nucleus for a consolidation in 1921 of the Ranger Gulf Corporation, Inland Oil and Midland Refining. Early this year, its production was said to be 9,000 barrels daily, it operates two refineries with a capacity of 7,500 barrels and has four plants for manufacturing gas from natural gas.

The company's results over the past three years have been decidedly good. Thus, after large charges to depreciation and depletion last year (reserves, largely for these purposes, amounted to nearly 4 million dollars) its loss for the year was less than $339,000. In the current year, as a table elsewhere will show, it has earned at the rate of over $2,000,000 for its stock, and these earnings are figured on the basis of reserves for the first 6 months. That is to say, twice as large reserves are charged against earnings for the entire year as were actually charged in the first six months. Were the reserves not figured on so conservative a basis, the indicated earnings on the stock would be considerably higher.

Operating against the company's immediate prospects is its large capitalization—over 22 millions all told—including:

	Outstanding
Funded debt	$3,500,000
Capital Stock of Subsidiaries	831,205
Capital Stock	18,063,375

The funded debt calls for 7½% interest, or about $262,000. After interest and depreciation and depletion charges, as figured above, the company should show slightly over $1 a share earned for the stock this year.

To be operating at a profit, even in such a good oil year as the present, is no mean achievement, apparently, in the independent oil world. Furthermore, Skelly appears to be well-managed and well-intrenched industrially. Hence, were the writer the owner of 100 shares, he would be tempted to hold on to it, were market conditions favorable. **But under the prevailing circumstances in a reactionary stock market, he would prefer to liquidate the commitment for the time, with a view toward its resumption, perhaps, later on.**

SKELLY OIL CORP'N.

(In Thousands)

	1920	1921	*1922
Gross earnings	$6,247	$12,160	$13,314
Expenses	1,431	8,185	7,484
Oper. profit	$4,816	$3,975	$5,830
Intra-Co. profit	255	....	....
Taxes and int.	....	324	410
	$5,071	$3,651	$5,420
Inc. losses	474	....	....
Reserves	....	3,989	3,218
Net earnings	$4,596	†$338	$2,202

* Based on 1st 6 mos. † Deficit.

BANK RULINGS AND DECISIONS

(*Continued from page* 52)

first time or when it is changed, in order to change the designation, such resolution is forwarded in a blank provided for the purpose by the Federal reserve bank.

End of Election Period

Nominations for directors may be made up to November 13, those received after twelve o'clock of that day being disregarded. On November 15 a list of all nominations is made to member banks with the names of the banks nominating the candidates. At the same time there is provided a preferential ballot, with spaces for the recording of first, second and other choices for a director of each class. Within fifteen days of the receipt of such list and ballot every eligible voting member bank is required to record its vote. The results of the election are expected to be announced about December 4.

TREND OF MONEY, PRICES AND CREDIT

(*Continued from page* 53)

distinctly lower values for nearly all classes of bonds. The reaction in Liberty bonds which took place after Secretary Mellon's large bond offering is well remembered, and represented a readjustment of older bond values to the new securities. A like readjustment has been going on in other classes of issues. As stocks of railroad and other companies have tended to recede from unduly high levels which they had reached, the tendency of bonds has been to move down with them. This situation is reflected in the graph showing the cost of corporate credit which, as usual, is submitted herewith and which shows the increasing yield for long-term funds as reflected in the decreasing price of those already outstanding at specified rates of return. The figure for this month shows an average of 4.65%. This movement has not gone very far and on the whole is hardly likely to go very much further. But the tendency is sufficiently evident to make it clear that there has been a very important readjustment which is probably still in progress in a good many directions.

Commodity Price Situation

Conditions in the field of short term and corporate credit have not been influenced as much by changes in commodity prices as had been expected. The latest price-index figures show on the average a fairly stable level of values. Bradstreet's index stands at $12.50. This level, however, is not quite as fixed as it appears to be, due to the fact that there have been unusual discrepancies in the various classes of goods in the open market. Manufactured items have advanced considerably, and have been accompanied in a moderate way by some agricultural products. The bulk of the latter have not gone up in proportion and there are various mining products which have either not advanced at all or have fallen. The result has been to leave the banking situation considerably less influenced by changes in values of goods than has ordinarily been the case. For the immediate present the tendency of prices is believed to be upward. And this advance is expected to continue during the autumn months although at a moderate pace. Belief has lately been expressed by some economists that reaction toward the prewar price level would eventually occur but could not be expected to for a "decade." However true such long-range forecasts may be, they at all events have no practical application at the present moment, but on the contrary the general agreement of authorities is to the effect that the price movement is likely to continue upward for a good while still to come.

Activity of Credit

The increasing activity of credit, although noted a month ago, is sustained and indicates the effect of active buying

(*Please turn to page* 75)

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Offered Price	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	91	5.55
Buffalo General Electric First 5s, 1939 (c)	101	4.90
Canton Electric Co. First 5s, 1937 (b)	97	5.27
Cleveland Electric Ill. Co. 5s, 1939 (b)	100	5.00
Denver Gas & Electric Co. First 5s, 1949 (c)	96	5.27
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	107½	6.60
Evansville Gas & Electric Co. First 5s, 1932 (a)	95	5.60
Kansas Elec. Utility First 5s, 1925 (c)	92	5.50
Indianapolis Gas Co. 5s, 1952 (a)	93	5.40
Los Angeles Gas & Electric Gen. 7s, 1931	107	5.90
Louisville Gas & Elec. Ref. 7s, 1932, 1923 (c)	102	4.90
Nevada-Cal. Electric First 7s, 1946 (c)	99	6.10
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	104	7.10
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	96	5.70
Peoria Gas Electric 5s, 1923 (a)	100	5.00
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	110	6.20
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	98	5.20
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	101	5.85
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	100	6.00
Standard Gas & Electric Secured 7½s, 1941 (c)	103	7.12
Syracuse Gas Co. First 5s, 1946 (a)	96	5.30
Twin-State Gas & Electric Ref. 5s, 1953 (c)	85	6.40

POWER COMPANIES

Adirondack P. & Lt. First & Ref. 6s, 1950	102	5.80
Adirondack El. Power Co. First 5s, 1962	97	5.15
Alabama Power Co. First 5s, 1946 (a)	94	5.40
Appalachian Power Co. First 5s, 1941 (a)	91	5.80
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	110	6.50
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	106	6.45
Cent. Maine Power Co. 5s, 1939 (a)	100	5.00
Cent. Georgia Power Co. First 5s, 1938 (c)	90	5.90
Columbus Power Co. (Georgia) First 5s, 1936 (a)	95	5.18
Colorado Power Co. First 5s, 1953 (c)	96	5.25
Consumers Power Co. (Mich.) 5s, 1936 (a)	97½	5.25
Electric Dev. of Ontario Co. 5s, 1933 (b)	97	5.38
Great Northern Power Co. First 5s, 1935 (a)	97	5.30
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	107	6.35
Great West. P. Co. 5s, 1946 (a)	95½	5.30
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	100	5.00
Idaho Power Co. 5s, 1947 (a)	94	5.40
Kansas City Power & Lt. 8s, 1940 (c)	109	7.15
Laurentide Power Co. First 5s, 1946 (b)	98	5.15
Madison River Power Co. First 5s, 1935	100	5.00
Mississippi River Power Co., First 5s, 1951 (c)	96	5.25
Niagara Falls P. Co. First & Cons. Mtge. 6s, 1950 (b)	104	5.80
Ohio Power First & Ref. 7s, 1951 (c)	106	6.50
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	103	7.50
Potomac Electric Power Gen. 6s, 1923 (c)	102	4.00
Puget Sound Power Co. First 5s, 1933	96	5.40
Salmon River Power First 5s, 1952 (c)	96½	5.25
Shawinigan Water & Power Co. First 5s, 1934 (b)	100	5.00
Southern Sierra Power Co. First 6s, 1936 (c)	104	5.55
S. W. Power & Lt. First 5s, 1943 (c)	93	5.55
West Penn. Power Co. First 7s, 1946 (c)	105	6.60

TRACTION COMPANIES

Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	106	6.60
American Light & Traction Notes 6s, 1925 (c)	*101½	5.40
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	78	7.10
Danville, Champ. & Decatur 5s, 1938 (a)	93	5.62
Georgia Ry. & Power 5s, 1954 (b)	91	5.60
Kentucky Traction & Terminal 5s, 1951 (a)	80	6.50
Knoxville Ry. & Light 5s, 1946 (b)	86	6.15
Milwaukee Light, Heat & Traction 5s, 1929 (a)	98	5.30
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	102	4.90
Milwaukee Elec. Ry. & Light 7½s, 1941 (b)	103	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	101	6.80
Memphis St. Ry. 5s, 1945 (a)	79	6.50
Northern Ohio Trac. & Lt. 6s, 1926 (c)	99	6.30
Nashville Ry. & Light 5s, 1953 (a)	93	5.43
Portland Ry. P. & L. 1st & Ref. Ser. "A" 7½s, '46 (c)	109	6.70
Topeka Ry. & Light Ref. 5s, 1933 (c)	88	6.50
Tri-City Ry. & Light 5s, 1930 (c)	93	6.10
United Light & Rys. Ref. 5s, 1932 (c)	89	6.50
United Light & Rys. Notes 8s, 1930 (c)	106	7.00

TELEPHONE AND TELEGRAPH COMPANIES

American Tel. & Tel. 5-Year 6s, 1924 (c)	102	4.90
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	98½	6.00
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	104½	5.65
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	109	6.10
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	95	5.40
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	94	5.62
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	97	5.35

* Without warrants.

in many branches of trade. It has been furthered by the expansion of loans and discounts at banks already referred to, although the principal basis for it is not found in increase of outstanding deposit accounts but is found in the more rapid turnover of ordinary balances as shown by the diagram herewith furnished. This activity of credit is one of the more wholesome indications of the increasing prosperity of business.

SOME SUGGESTIONS ON 5% UTILITY BONDS

Price Advance in Bonds Seems to Have Been Halted, At Least Temporarily, But Some Investments in 5% Issues Are Advocated

WITH indications that the cream in the upward movement in the bond market is off at least for the time being, the wise investor can still comb through the list for good 5% issues which are not likely to be called and which will show him a good yield. The trouble with most of the issues put out during the war and post-war period is that while a relatively high yield is shown, the callable feature detracts a great deal and these bonds do not at all answer the requirements for anyone seeking a long-term investment. It is only a question of time when the issues put out under the stress of war-time high money conditions and paying 6½, 7 and 8 per cent interest will be called.

Georgia Light & Power 5s

A good 5% bond in a company which is steadily showing improved earnings is found in the Georgia Light, Power & Railways 5% sinking fund gold bonds, due September 1, 1941. At the present selling price of 83, a yield of 6.50% annually is shown on the investment. Company is chiefly a holding organization but only a small portion of the properties controlled is in traction lines, the Macon Railway & Light Co. Other companies controlled are the Central Georgia Power Co., the Central Georgia Transmission Co. and the Macon Gas Co. Company also furnishes a large part of the electricity requirements of Atlanta. Earnings are now running about 2½ times interest requirements.

Canadian Light & Power 5s

Another issue which seems desirable to those who are not unwilling to go out of the United States for investment, seems to be in the comparatively little known Canadian Light & Power Co. 5% bonds. Company is controlled by Montreal Tramways & Power Co. Ltd. The first gold 5% bonds constituting the sole funded debt of the operating company are due July 1949. Company has a high grade hydro-electric plant on the St. Lawrence river and a transmission line to Montreal. There are less than $6,000,000 of the bonds outstanding which are a first mortgage on the properties.

At the present selling price of 83 a yield of 6.30 is shown if held to maturity. The bonds are very attractive for a long-term investment.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian-Weber	..	— 12
Pf.	30	— 50
American Piano	75	— ..
Pfd.	85	— ..
American Type Founders	59	— 61
Atlas Portland Cement	70	— ..
Babcock & Wilcox	128	—131
Borden Co.	112	—114
Bucyrus, pfd.	99	—103
Celluloid Co.	100	—103
Childs Co.	114	—116
Crocker Wheeler	53	— 63
Pfd.	90	— 97
Jos. Dixon Crucible	135	—145
Gillette Safety Razor ex-div.	*251	—256
Ingersoll-Rand	200	—210
New Jersey Zinc	158	—163
Niles-Bement-Pond	57	— 61
Phelps-Dodge Corp'n	160	—175
Royal Baking Powder	117	—125
Savannah Sugar	40	— 45
Pfd.	92	— 95
Singer Mfg. Co.	105	—108
Thompson-Starrett	60	— ..
Victor Talking Mach. (New)	160	—170
Ward Baking Co.	110	—120
Yale & Towne	370	—385

*Listed on N. Y. Curb Exchange.

Victor Talking Machine's 600% Dividend

ONE of the outstanding successes of the industrial world—Victor Talking Machine—whose relatively tiny capitalization resulted in inaccessible prices for its shares has decided to expand its capital to a point more nearly reflecting the immense asset values behind it. On October 23rd, the stockholders—consisting for the most part of the handful of people represented in the management—ratified a resolution to increase the capital stock from $5,500,000 to $35,000,000; and three days later, the directors declared a stock dividend of 600%.

The action gives the stockholders as of November 1st six new shares of stock in place of every one old share, or five more shares than they formerly had. Already the over-the-counter houses are dealing in the new issue. The price on the old stock, some time before the declaration, was around $1,000 per share; the new stock, at this writing, is quoted 161-165, and has ranged from as high as 167 to as low as 163.

The Ten-Year Record

Victor's marvellous success since organization twenty-one years ago is indicated in a comparison of balance sheet showings for the last ten years:

In 1912, the working capital was less than 6-millions; in 1921, it exceeded 23.5-millions.

The plant value 10 years ago was $3,000,000 (in round numbers); last year it was booked at $12,000,000. (This comparison is practical in the case of Victor. The management which values several million dollars worth of patents and goodwill at $2 is equally conservative in regard to plant investment. In fact, there is well-grounded belief in some quarters that Victor's plants could be valued 8-millions higher with full justification.)

The surplus in 1912 was 10-millions. It is now well over 43-millions.

To equip itself to handle the amount of business done ten years ago, the corporation carried only a little over a million and a quarter of inventories. Last year, over thirteen millions were carried. With due regard for price changes, this is an index of the corporation's expansion.

Earnings accounts have not been published in the past; but, by comparing the last two balance sheets, it is possible to secure an idea of the company's capabilities in this direction. Thus, 1921 saw about $2,250,000 dividends paid, an increase in surplus of $2,190,681, and a loan of $2,500,000 discharged. The sum of these items—about 7 millions—is at least a reasonable minimum to set for Victor's 1921 results. Incidentally, it is the equivalent of $20 per share on the 350,000 shares of new stock authorized by the shareholders.

The Industry

Of course, the outlook of the Victor Company is controlled largely by conditions in the industry it serves. In this connection, it is interesting to note that a substantial change for the better has taken place in the talking-machine world. Back production, which piled up on dealers last year, is being rapidly absorbed; in fact, some of the largest producers are already oversold. The fact that the Bridgeport plant of one of the largest manufacturers was just recently reopened is a straw in the wind. Victor itself is understood to be sold up to March of next year, and to be on a full-speed production schedule.

Dividend Payments

The best evidence of the earning power of Victor Talking Machine is contained in its dividend record. This shows that since 1901 the corporation has paid out no less than 416% on its stock. The rate on the old stock so far in 1922 has been 40%. In 1920, 60% was paid, and in 1916, 80%.

What dividend the new shares will receive is, of course, purely conjectural. Two points may be recorded in this connection, however. First, that Wall Street anticipates a rate of 8% regular plus ex-

tras on the issue. Secondly, that the current $40 rate on the old stock calls for approximately $2,000,000 annually, which would be at the rate of $5.71 on the 350,000 shares of new stock. In other words, if Victor is to pay what Wall Street expects, an increase in the current rate would be necessary. The corporation disbursed 3-millions in dividends in 1920, which would exceed $8.50 per share on the new stock.

Investment Aspects

The foregoing factors having been taken into consideration, this department is inclined to consider the new shares of the Victor Talking Machine Co. among the most attractive investments, on their own merits, available in the outside market. In a word, they represent one of the most conspicuously successful corporations in the country, managed by conservative and capable men and enjoying an improving business. Incidentally, they are preceded by no funded debt and only $900 of preferred stock.

Of course, consideration must be had of the general market trend, if a security is to be purchased at the "right" time. Assuming that care will be exercised in this respect, the belief is held that Victor new stock can be recommended.

SEPTEMBER NET EARNINGS DECLINE

(Continued from page 23)

ties other than coal by eastern carriers because of an inadequate car supply. The car-service division of the American Railway Association reported a demand for freight cars in excess of supplies of 156,309 on October 15th. The railroads have been placing large orders for new equipment and since the termination of the shopmen's strike there has been a large amount of repair work done.

All indications seem to point to a vast improvement in earnings for the balance of the year, despite the fact that operating expenses will very likely be higher as a result of the increased cost of coal and materials and supplies.

TRADE TENDENCIES

(Continued from page 58)

ton to the year's highest levels. Reactions are to be expected from time to time as profit-taking by speculative holders develops, and purchasing by the mills, who have satisfied their more immediate needs, slackens.

The broad trend of cotton would still appear to be upward, however, notwithstanding the extent of the recent rise. The statistical position is decidedly strong and all indications point to maintenance of the commodity's fundamental strength. World production of cotton has not kept pace with increasing demand, and, so far as the domestic situation is concerned, there seems to be little hope of material increase in

output until more effective steps have been taken to check the ravages of the weevil.

Export demand for American cotton for the current year has been rather disappointing as a result of the unsettled state of European finance, but it seems probable that the broadening domestic demand for cotton goods, coincident with improving industrial conditions, will go a great way to offset whatever falling off may occur in this respect.

Furthermore, the very real prospect of a small carry-over at the end of the present season will remain a factor of the first importance until the size of next year's crop becomes established. Another short crop next year would create an uncomfortable situation for consumers. During the 1921-22 season, the world's production of cotton was approximately 4.3 million bales less than consumption, while the probabilities are that consumption for the current season will exceed production by about 3 million bales, leaving only 6 million in the world supply at the close of July, 1923, a figure two-thirds as large as last season's stock.

The preponderance of evidence on the bullish side would thus indicate that the cotton market has not yet entirely discounted the strong position of the commodity, but it may not be amiss to sound a note of caution so far as the nearby prospect is concerned. The recent rise has been sufficiently extensive to suggest some violent reactions before an ultimately high level is established.

AMUSEMENTS

More Strongly Intrenched

The moving picture and vaudeville industries, having passed a rather slack season during the summer, should now begin to feel the effect of larger attendance with the advent of Winter. These two industries suffered from falling patronage brought about by unemployment last year, but now that this condition has been reversed by improved industrial conditions, the theatres should face a more favorable season.

The upward movement of production costs of the pre-depression period caused a general revision of admission prices to a high level. Although a return to prewar levels is scarcely to be expected, the scale of admissions has been brought more nearly into line with existing conditions and the outlook is for stability in this directon. On the whole, it is doubtful whether costs have come down to a degree compatible with large earnings, but in this respect the theatres are probably affected no more than the majority of industries. Those companies which have, by good management and long experience, entrenched themselves in their respective fields, should reap the greater measure of benefit from the better days which appear to be ahead.

The motion-picture industry may be said to be near the end of the development stage and is slowly becoming established on a more businesslike basis.

IS THE COUNTRY OVER-RAILROADED?

(*Continued from page* 11)

the same route or line, the shorter being included within the longer distance, and whether combinations of rates, and transit privileges, that now unduly favor certain jobbing and junction points should be canceled and reasonable through rates established to all points. The opportunity to do a manufacturing business at a profit should be afforded at any point in the country. The supply of raw material and the possible field of consumption will dictate the location.

"A new era is at hand. The carriers of the country for the future are to serve the public interests. The dictates of selfishness and private greed that have for so long a time controlled the policy and management of our great transportation systems no longer constitute the guide for action. In a time like this when readjustment of industrial and economic conditions is imperative, the railroads must do their part to the end that there may be decided progress on the highways that lead to equality of opportunity for all and to ultimate national greatness and individual contentment."

OUTLOOK FOR THE EXPRESS COMPANIES

(*Continued from page* 45)

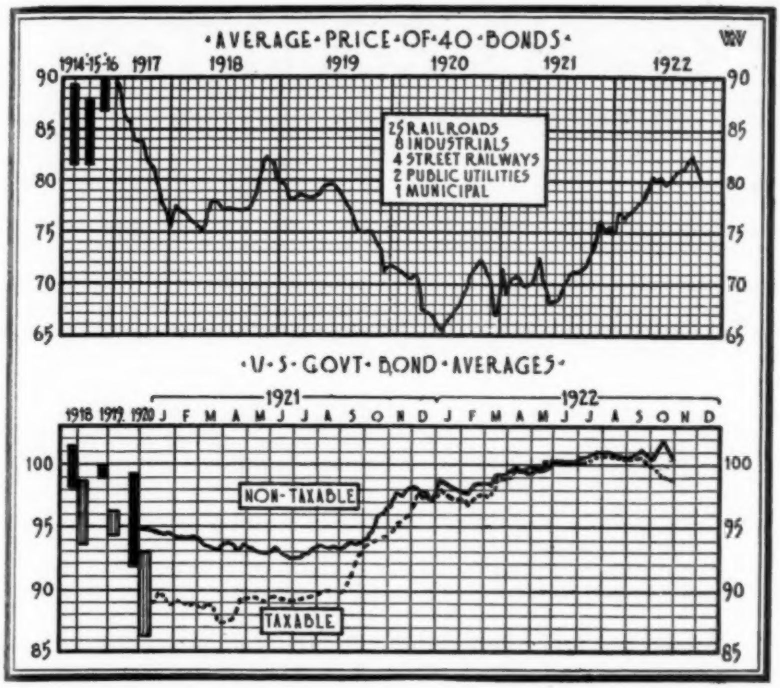
Wells Fargo Express

Predominating factor in a consideration of the affairs of Wells Fargo Express is likelihood of a winding up of its affairs and distribution of assets. This may come in the near future, but there have been no official utterances on the subject so that just when it is likely to come, if it does, is problematical.

Book value of the stock in the event of liquidation, as shown by the 1921 statement, was $108 a share, and this figure has increased somewhat by appreciation in value of the various securities which it owns. In addition to its holdings of stock in American Railway Express Co., Wells Fargo owns real estate valued at $750,000 and stocks, bonds and notes which at the close of last year had a market value of close to $14,000,000.

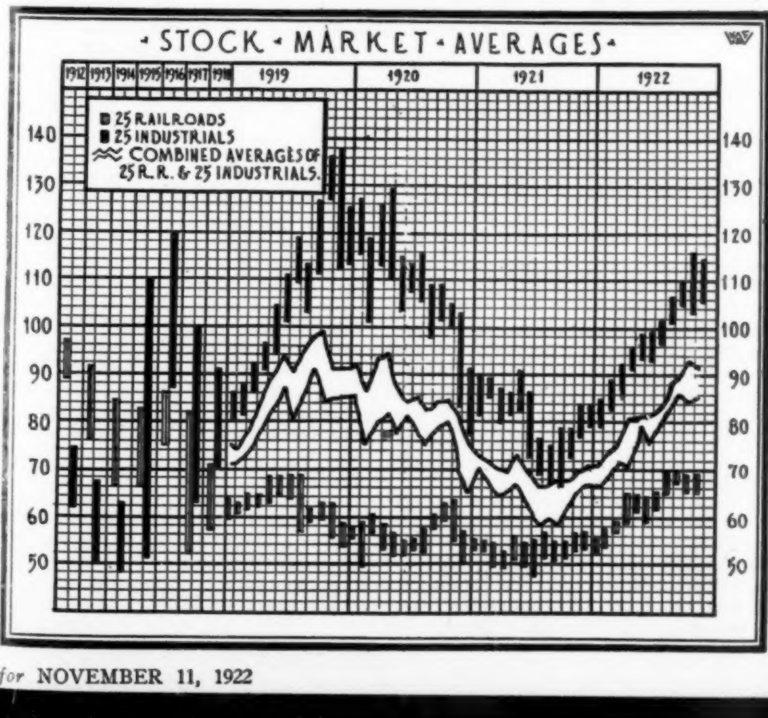
Both in 1919 and 1920 no dividends were paid but present rate is $5 a share annually. Earnings in 1921 were equal to $5.34 a share on the stock, but this year the company should do much better. Of this amount income from express business is equal to $2.62 a share.

As a liquidating proposition, lacking detailed figures as to prices to be received if the company sold its securities, it is difficult to place a value on Wells Fargo stock. Counting the A. R. E. stock at par, there appears a good chance of stockholders getting par. As a 5% stock selling at 95, a yield of 5.3% is given though there is always possibilities of extra dividends as in the past.



MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, October 23	80.58	100.11	92.56	91.44	89.24	1,179,585
Tuesday, October 24	80.22	100.10	92.72	90.24	88.90	929,553
Wednesday, October 25	79.98	99.55	93.06	90.34	88.97	1,025,356
Thursday, October 26	79.87	98.00	91.43	89.50	87.72	1,180,156
Friday, October 27	80.08	98.76	91.90	88.82	87.37	880,713
Saturday, October 28	80.20	98.68	91.71	88.84	88.16	333,522
Monday, October 30	79.80	96.90	89.84	88.55	86.41	1,088,448
Tuesday, October 31	79.85	96.11	89.25	87.58	85.92	1,152,355
Wednesday, November 1	79.84	96.23	89.28	86.79	85.10	1,137,754
Thursday, November 2	80.15	98.50	90.86	86.52	86.73	1,006,865
Friday, November 3	80.15	99.29	91.11	89.16	87.76	1,016,075



Reader's Round Table

NOTE: The following is a communication from a subscriber who has been riled by a great many things Mr. Ford is saying. We are publishing it because of its very striking manner of presentation.

Editor, Magazine of Wall Street,
Sir:
There are a great many things for which we are indebted to Henry Ford but there are also a great many things he is saying which are positively ridiculous. I have included these things in the following which I have gotten up in the form of a letter to Mr. Ford. I trust that you will find the space for it.—H. I. C.

Mr. Henry Ford, Detroit, Michigan.

DEAR SIR.—Your last outburst against Wall Street is quite on a par with the intelligence you have displayed in previous alleged interviews and statements on the same subject. You say that Wall Street and the gold standard have outlived their usefulness. Let me call your attention to the fact that were it not for Wall Street, which financed the railroads which run from the seacoast to Detroit and elsewhere, we should probably be traveling thence by means of horse-drawn vehicles, and a development such as the Ford Motor Company would still remain for the distant future. Does it ever occur to you that without Wall Street, railroads, public utilities and the great industrials (except yours) would never have been financed?

And what is Wall Street? A place where a market is established for all the billions of securities owned by millions of investors throughout this country and the world. One would think to read your mouthings on subjects you do not understand that you have some real grievance against Wall Street, but I cannot find that you have; but if it be true, please state just what it is and do it simply so that even the large percentage of our population who accept your outbreaks at par may read and judge for themselves.

Some months ago you were in pressing need of a hundred million dollars or so. You wiggled out of that hole very creditably, but the thing that made you fight hardest was your inordinate fear of what you call "falling into Wall Street's clutches." Well, let me tell you that Wall Street is good enough for such corporations as U. S. Steel, Pennsylvania Railroad, Armour & Co., and a host of other giant industrial and transportation organizations. You knew at the time that there was only one place in the world where you could raise a hundred million dollars if you did not do the trick yourself.

Your attacks on Wall Street are no more absurd than your statement that the gold standard has also outlived its usefulness, and you are right for the Soviet Government in Russia has proved it. But we suspect that your ranting up and down the columns of a complacent press is partially influenced by two desires: first, to sell Ford cars, and second, to further your ambitions toward the Presidency as an additional means of advertising.

You must think that one hundred and ten million people are looking toward Detroit, with hands behind their ears, listening for what you have to say on every subject under the sun.

You say that through newspaper headlines they (meaning Wall Street, I suppose) spread propaganda about a coal shortage so that everybody starts scrambling for coal. Does anybody on earth spread more propaganda than you do?

Your questions which follow certainly entitle you not only to the Presidential nomination, but to the unanimous election. You ask why the Interstate Commerce Commission should permit the Louisville & Nashville Railroad to carry a seventy-million surplus and keep an insufficient one-track road. Since when has the I. C. C. been granted jurisdiction over the surplus of any railroad? And when were decisions to double track taken out of the hands of the directors and management?

How can the public be fleeced on coal when the Government is fixing the price? Therefore, what has Wall Street (which means millions of investors) to gain by causing strikes and throwing railroads into convulsions? Have not these investors and their elected directors much more at stake in the railroads than they have in a few coal properties, and does a coal strike cut down the available car supply? I understand it results in idle cars.

You say that public utilities, by paying high prices for coal, raise the rates to the public. Have you ever heard of local organizations known as Public Service Commissions which control the rates? If not, you may not be so well qualified for the White House as might at first appear.

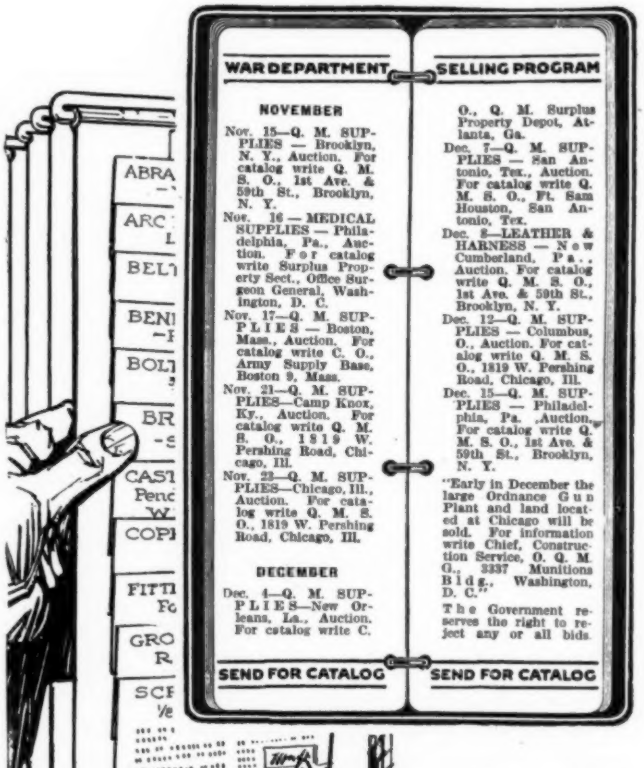
Your off-hand pronouncements on subjects you are trying to explain to others but which you do not yourself understand, may impress a certain class of people who, being of age, at least can qualify in that respect to cast a vote; but I doubt if there is a single thinking man in the United States who can read your so-called statements and interviews and be impressed with anything but the fact that in many cases you are allying yourself with some of the worst elements in this country, and this in spite of your protested Americanism.

Some time ago the Ford factory closed up for a few days but, believe me, it is not the only thing in Detroit that ought to shut up!

Yours very truly,

H. I. C.

Have You a Ten Minute Man ?



NO successful treasure hunter is worth more to you than the clerk who spends ten minutes a day looking up War Department ads.

For there is treasure a-plenty in these. They announce Surplus Property sales that spell tremendous savings and quick deliveries.

The things you need are among them. All you have to do is LOOK. Then write for catalog. Then attend the sale.

Don't overlook a single ad. If you do, you may overlook a saving of great proportions. Your clerk can look them up and then route the publication through the various departments.

It's only a ten-minute job — or less. And big dividends await your taking. If you want to know more about the sales, ask Major J. L. Frink, Chief, Sales Promotion Section, Office, Director of Sales, Room 2515, Munitions Bldg., Washington, D. C.

Send for this booklet—"The Story of War Department Sales"

WAR DEPARTMENT

MISSOURI PACIFIC RAILROAD CO.

(*Continued from page* 25)

the district have not become important. The traffic outbound consists of agricultural products, lumber and petroleum. Inbound there are the manufactured products consumed by the population and in the case of the Missouri Pacific, bituminous coal constitutes about 20% of the total tonnage. The success of the Mop and the other roads competing with it is dependent upon their ability to get settlers in and to encourage manufacturing industries along their lines. There is no section of the United States that possesses greater possibilities of improvement than the Southwestern-Gulf district, which has not progressed with the same rapidity that has characterized other sections of the country.

The Panama Canal should prove beneficial to the Missouri Pacific. In the past the shortness of its average haul has proven a serious handicap, for its lines have served mainly as gathering lines. The Canal has increased the traffic moving from the Middle West out through the Gulf ports and will furnish a larger volume of long haul through traffic which will prove profitable to the Mop.

Missouri Pacific's Stock Issues

The stock capitalization of the Missouri Pacific consists of $71,800,100 preferred and $82,839,500 common stock. The preferred is entitled to dividends at the rate of 5% per annum, which became cumulative after June 30, 1918, so that at the end of the current year there will be accrued dividends amounting to 22½%. The opinion was held in some quarters that the company would soon commence the payment of regular dividends on its preferred stock and begin to pay up the back dividends. The rise in price from a low of 45½ in January to a high of 63¾ for the present year seemed to partly discount such a course.

Earnings for 1922, however, will not be sufficiently good to warrant the payment of dividends for the immediate present. Although earnings for the first seven months were considerably ahead of those for the similar period of 1921, and gave some ground for optimism in regard to a dividend, reports for August and September have largely dissipated such hopes as existed. Due to a combination of the coal strike and the railroad strike earnings for the two latter months have been distinctly disappointing. September's net operating income was only $80,000, as contrasted with $1,820,000 for the same month of 1921. The total for the period ending September 30, is $5,345,000, and although the remaining months of the year should prove profitable, due to the settlement of the strikes and the large traffic which will follow, very little net income will remain after the payment of interest charges. Estimating other income at $2,500,000 it will be necessary to earn at the rate of over $1,000,000 per month for the balance of the year to fully cover fixed charges of over $11,000,000.

The hope of immediate dividends on Missouri Pacific preferred has practically vanished, as its recession in price to 53, as of October 30, indicates. Needless to say, the large accumulation of dividends on the preferred deprives the common of any substantial speculative possibilities for a long time to come.

Ignoring present prospects and taking a long range viewpoint, the preferred stock is in a very favorable position. We must not allow the decidedly poor earning statements, due to special causes to obscure our vision or blot out our perspective Under normal conditions, as the first part of the present year indicated, Missouri Pacific may be expected to earn a fair-sized balance available for dividends. With the development of the territory which its lines embrace and with more economical operation which ought gradually be attained, will come greater prosperity for the road. All its securities, including, of course, its bond issues and particularly those junior in lien, will share in this improvement. Because of the larger accumulation of dividends, Missouri Pacific preferred will be especially benefited.

INVESTING YOUR IDLE FUNDS

(*Continued from page* 21)

large assets of the company which are a security for them, are entitled to a high rating.

The obligations of New York Air Brake, Lackawanna Steel, U. S. Smelting & Refining, and American Tobacco Co. are all high grade. New York Air Brake has a funded debt of only about $3,000,000 and has generally earned its interest charges by a wide margin. This was another company, however, that reported a deficit in 1921, but with improved conditions in the railway equipment field conditions have changed for the better with this company. Lackawanna Steel also failed to earn interest charges in 1921 but they are usually earned many times over. The convertible 5s of 1923 are outstanding in the amount of $10,862,000 and are secured by a first mortgage on the plant at Lackawanna. They are senior in lien to the convertible 5s due 1950. The funded debt of the U. S. Smelting, Refining & Mining Co. consists of the $12,000,000 issue of convertible notes due in 1926. This company has earned its interest charges on these notes for several years by a wide margin and they are entitled to an excellent rating. The American Tobacco Co.'s only debt consists of $10,000,000 notes due next year and interest charges on these have been earned by such a wide margin in the past that they deserve to sell under a 5% basis.

The investor in any of the securities shown in the accompanying list has a

wide degree of safety. As pointed out above, however, it is well to diversify as much as possible when investing in short-term securities. **When funds are invested for a short period the certainty of getting it when it is wanted becomes a predominant factor.** In a long-term bond backed by good earnings and security, a temporary setback is not of serious moment, but in a short-term security such a condition may work serious hardship. The failure of the Interborough to retire its short-term notes in November, 1921, is an example of what may happen. There are absolutely no indications that anything of a similar nature is likely to happen in the case of any of the securities named in this article, but it is well to point out that diversification is of more importance when it is expected that capital is to be repaid in a short period than it is in the case of long-term bonds.

Securities and Commodities Analyzed in This Issue

The Business of Oil

Difficulties in the Way of Oil Companies

By E. M. THORP

PRODUCING oil is a business of experimenting. Every well drilled is a trial. Chances have been minimized by experience. They have not been eliminated. It is not a sure thing vocation but results favor practice. Experience is the outstanding advantage. Experience and experimenting are of the same derivation. That is to say, they are closely akin. Experimenting is the bone and experience is the sinew of oil producing.

It is not a speculator's game, though speculators have given it a taint and color. The words, "oil," "acreage," "drilling," have no magic in themselves as conjured with in promotion literature. They lend no assurance of dividends or appreciation of investment. They, on the contrary, are fraught with infinite possibilities of loss and disappointment. Between the lease and the profit and loss ledger many dollars may dissolve. The fact that millions have been made in oil guarantees no more than the fact that millions have been lost.

No accurate estimate can be made of the thousands who have invested in oil-producing promotions possessing little or no basis of promise. They were beguiled by the spectacular features and the lottery element and they didn't know and made no effort to learn. Leases near a great oil pool have been the foundation of scores of stock selling schemes, successful as investment bait but failures as producing projects. Mexia gave birth to many but that don't condemn Mexia. The dry holes on the outside of a great oil pool are the most hopeless things in the world.

Producing End Like Mining

In the oil industry the same factors control success as in any other industrial field. The producing branch of the industry is analogous to the mining industry. It has, perhaps, more elements of chance but it is susceptible to the same advantages of experience and careful management. Certainly it demands other talents than those essential to the writing of prospectuses. Meritorious oil securities have suffered from the stigma attached by promotions and the lack of knowledge or misconception of the factors involved in producing oil.

Not many years ago, some of the largest corporate units of the industry were controlled by a policy of buying crude petroleum rather than producing it because it was believed more economical and profitable. Growth in the demand for petroleum fuels coincident with the development of the automotive industry has created new conditions influencing an abandonment of that polisy. Strength in crude oil producing properties is now generally acknowledged essential to strong position in the industry.

Investment in producing is larger than that in any other branch of the industry. There are many more producing companies because it has been easier to enter this branch, and oil wells are more beguiling to the investor. Domestic crude production is about 1,400,000 barrels daily. As settled production it would be worth anywhere from $500 to $10,000 a barrel according to quality of oil and location. Assuming an average valuation of $2,000 a barrel daily output as settled, the total would be worth $2,800,000,000. Since the gross value of this year's output of domestic oil wells will equal 35 per cent of this sum, this would not seem to be an extravagant valuation.

Maintenance of production is an ever-present problem of the oil industry. Despite the over-produced state of the crude oil market, this is a constant urge to exploration and test. Scouts and geologists representing the larger American oil companies roam the earth in search of new pools. Oil stored in reserve tanks in this country is about a third of a year's supply. The amount stored in the oil sands of the United States has been variously estimated at from five to seven billions. This can be little more than a scientific guess as recent discoveries of new oil-producing structures suggest that all such formations have not been located and many that have been mapped but not drilled may not be productive.

Geology's Important Role

This intensive search for oil has given geology a larger and more important role. While no geologist can absolutely predict the finding of oil and gas at the location selected, a competent geologist can very much lessen the chances of drilling dry or non-productive wells. Not many years ago the practical oil man held the geologist in contempt and referred to him as a "rock-hound." The practical oil man was too practical or the geologist was too theoretical. The practical oil man is not so much interested in the origin of oil as he is in its accumulation in economic deposits. Increasing necessity of finding oil has effected a compromise at least in their working relations.

Geologists seek out the folds and wrinkles of the earth's crust, such formations being known as anticlines, domes and monoclines. Commercial oil and gas deposits frequently occur in the higher parts of these structures. Sometimes these formations may be located by some surface sign. The presence of oil may be indicated by a seepage or other evidence. Unusually the structures are completely concealed and the possibility of oil is nothing but a scientific theory. In the United States, the more certain signs of oil deposits have been tested in every locality to a definite conclusion. New oil pools recently dis-

covered and those of the future involve a longer odds against the expensive experiment.

The existence, however, of a structural fold or wrinkle, is not enough to provide oil. Such a formation must contain a porous sand or limestone for holding the oil and must be capped and underlaid by an impervious formation that will seal the deposit. Water is generally found in the same stratum as the oil, but being heavier is lower down the formation. Gas, being lighter than oil, is found in the highest part of the formation. In an anticline or arch or fold, gas is at the top, oil just below it and water under the oil. This is the theoretical condition and is closely approximated in nature. Such a structural recipe for oil seems simple enough but usually the only way of ascertaining the existence of these conditions is by drilling, and that kind of evidence has a very common way of entailing the expenditure of thousands of dollars and producing nothing but geological information. Even where such a formation has been found ideal it has been found entirely dry.

Water which accompanies petroleum is generally more saline than that normally present in sedimentary rocks. Emphasis has sometimes been given the presence of salt water in oil fields as though it was an uncommon condition, when as a matter of record the occurrence is so regular that importance has been given the possibility of relationship in origin. Throughout the world, the association of gas and petroleum with salt water, either in solution or in the solid state, are almost universal. In Texas and Louisiana, oil has been found accumulated against dome-shaped masses of salt. The drilling of wells for brine in Pennsylvania and the observation that oil and gas were usually found with it, were responsible for the beginning of the petroleum industry in the United States. On the Kanawha River, near Charleston, West Virginia, the Pure Oil Company operates a large salt plant on brine from wells adjacent to its crude petroleum producing properties in that locality.

Reference to oil deposits as "pools" probably has caused the impression with many people that oil lies underground in lakes, ponds or rivers. Its accumulation is in the small voids of the sands and the amount that may be held there depends not only upon the porosity but upon the temperature, the hydrostatic and rock pressure. Unless these factors are known an approximation of the saturation cannot be determined. The United States Government in its estimates of oil reserves takes ten per cent as the average saturation. That is to say, 100 cubic feet of sand contains ten cubic feet of oil. This, however, does not mean such an amount of oil may be brought to the surface, as the recoverable oil may be only ten per cent of the saturation or it may run as high as 70 per cent, varying with the porosity of the sand and the pressure.

(To be continued in an early issue)

INDUSTRIALS AT THE TURNING POINT

(Continued from page 27)

left-over materials from war-time. These having been absorbed much sooner than expected, manufacturers are experiencing difficulty in expanding their output rapidly enough to meet the current demand.

It is not to be inferred that buying has as yet developed marked activity but the outlook seems to favor a gradual forward movement. The present situation is somewhat spotty with heavy chemicals displaying the best form. Consumers are still reluctant to commit themselves beyond their more immediate requirements, an attitude that may be partly ascribed to the recent advance in quotations following enactment of the new tariff.

The heavier duties imposed have resulted in a generally higher level of prices almost entirely apart from any expansion in demand which may have been developing, although the scarcity of many chemicals is undoubtedly responsible for accentuated prices in some cases. Chemical prices, on the average, would appear to be headed moderately upward since they follow the trend of general commodities with a fair degree of faithfulness.

Viewing them as a whole, the chemical trades are showing an improved tone and have moved into a strong position. The present low state of supplies combined with expanding industrial demand is encouraging to more active manufacturing operations. **The undercurrent of optimism which permeates the chemical industry would appear to be justified by the outlook.**

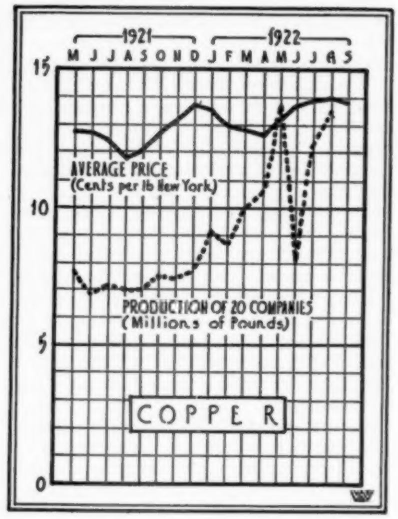
COPPER

Stable Market Anticipated

Although the red metal is now in an admittedly strong statistical position, the performance of prices has lately been rather disappointing since many producers are unable to operate at a profit under present conditions. It is true that the industry has shown marked improvement over last year, but while a turn for the better was made early in the current year, it is problematical whether the copper industry may really be said to have definitely entered a period of good times.

Further appreciation in the price level will have to be seen before the high cost producers can be restored to prosperity, but on the other hand there are several companies whose cost of production is so low that they should enjoy fairly good profits even at present prices. At any rate, the heavy deficits so common a year ago are not likely to be repeated in the near future.

Consumption has been running well ahead of production for several months, even though mining operations were extensively resumed, with the result that the surplus has been worked down to a very satisfactory basis and the position is now strong. The difficulty en-



countered in securing adequate working forces has removed the possibility of over-production so generally feared earlier in the year and has contributed to maintenance of the margin of consumption over production.

With industrial activity increasing, the domestic demand for copper may be expected to be well maintained. So long as the position of European consumers remains what it now is, however, great expectations for the export trade are apt to result in disappointment. In fact, it is entirely reasonable to believe that the recent softening tendency of prices is due largely to the uncertain outlook for the more immediate foreign demand. The copper industry, being dependent upon foreign markets for the disposal of a very considerable proportion of its output, it is plain that unfavorable developments in this direction must have their effect on the situation. The immediate prospect appears to be for a rather stable market.

LEATHER

Turning Point Reached

The up-turn in hides which began several months ago, was a direct result of the increasingly strong statistical position. Prices have risen steadily and are being held at the highest levels, with the tendency to rise still further under an active demand.

The leather market, on the other hand, was not so fortunate. The rapid advance in hides and skins and the sluggish increase in leather prices produced a spread between the two which is much greater than has heretofore ordinarily obtained. Reduced consumption of meats in this country, but more particularly in Europe, has resulted in cutting down the supply of hides by reducing the demand for livestock. Stocks of leather, on the contrary, were decidedly burdensome at the beginning of the year and have only lately begun to show recessions. The excessive supply of leather has thus tended to depress prices and discourage operations on the part of the tanners.

The situation is gradually changing for the better with the slow decrease in stocks of leather and indications are that the condition of large disparity between hide and leather prices, above mentioned, will be reduced to more normal proportions, thus permitting the leather companies to get back to a sound basis. The prospect for maintenance of high prices at high levels has already brought about a gradual rise in the various grades of leather supported by an increasing demand which is in turn ascribed to expanding industrial activity.

The leather industry has still some readjustments to make but the forward movement is likely to show slow development. **That the turn has come can scarcely be doubted, however.** The leather companies have already begun to show small profits in contrast with the large deficits of last year and the first part of this.

TIRES

The greatest obstacle to recovery of the rubber and tire industries lies in the great expansion in productive capacity in the past few years. Despite the fact that the tire industry has made satisfactory progress during the current year, from the standpoint of production and sales volume, competition has grown so sharp that prices were cut to the lowest level in years in the scramble to gather the business offering.

Then, too, the older and larger companies were caught with tremendous inventories of crude rubber and cotton fabrics when the depression came, whereas the smaller concerns, having limited credit, were not loaded up and were enabled to turn out a much cheaper product than their stronger competitors. Between the tendency to over-production and the sharp competition of the minor companies, the large manufacturers were compelled to indulge in a price-cutting war in order to protect their interests.

While it would be hazardous to predict the end of the downward movement in prices, the influences working to bring about an upturn seem to outnumber those which tend to hold them at the low levels and it would seem logical to expect some advance early next year to correct the present condition of too narrow margins of profit. In the first place the crude rubber market is likely to rule higher and cotton fabric must follow the rising trend of the raw material, thus increasing production costs, and, secondly, consumption of tires should be materially larger next year than it has been, even during 1922, since the greater number of passenger cars in use and the large prospective demand for 1923 should create a greater demand to support an advance.

The mechanical goods and footwear divisions of the industry have shown a fair degree of betterment which should be maintained. **The industry, as an entirety, should enjoy a more satisfactory season next year than it has to date, so far as can now be foreseen.**

High Lights of the Investment Bankers Convention

John A. Prescott of Kansas City, Newly Elected President of The Investment Bankers Association of America, Urges Need for Better Protection Against Stock Swindles

ONE of the most important questions discussed at the recent eleventh annual convention of the Investment Bankers Association of America was the urgent need for investment education of the public and for more rigid protective policies against the wiles of sellers of fraudulent securities. This need was emphasized in the address to the convention of John A. Prescott, the association's new president.

"The New York District Attorney," declared Mr. Presscott, "has been quoted as saying that the American people have lost more than $750,000,000 in stock swindles since the war. I believe this is a conservative estimate. It is obvious that losses such as these in any considerable volume must seriously shock public confidence in investment securities and the agencies through which they are distributed. They tend also to discourage habits of frugality and thrift. The injurious effects upon the public welfare and the business in which we are engaged can hardly be over-estimated. To be effective in our efforts to stamp out fraudulent practices in the sale of securities by irresponsible dealers we must be consistently solicitous of the conduct of our own members. We should insist, among other things, upon patriotic obedience to State and National laws; upon strict observance among ourselves of our mutual contracts and obligations; upon scrupulous care that representations made in the sale of securities be not only technically correct, so as to be legally defensible, but also sufficiently comprehensive to be fair and honest; upon careful avoidance of the use of incorrect descriptions of securities, such as misleading bond titles; and upon frank recognition that the interest of the whole nation is paramount to that of any group and that the general welfare is the only permanent basis for our own prosperity.

"To aid the investing public, particularly the small investor, with some basis of discrimination in the selection of dealers, it has been proposed and urged that the Investment Bankers Association permit, or perhaps even require, its members to mention their membership in advertising. It has also been urged with even greater force that if this is to be done the Association should not only guard its membership most jealously, as it is now doing, but should have a very high degree of supervisory control over the methods and activities of its members. These proposals may be pressed for definite action this coming year. If so, they should be given very careful and deliberate consideration by the members.

"Until comparatively recently the conventional attitude of leaders of industry and finance towards the public was that of reserve, if not silence. The investment banker was no exception. Such reserve naturally resulted in an uninformed or misinformed public opinion. It was a mistaken attitude and was one of the principal causes of many of the ills from which business has suffered. The Investment Bankers Association has done much to change that situation. The discussions of financial problems and methods at conventions and in committee reports have been published, have been widely quoted in the press and have become text-books in universities and financial schools. They have been of real educational value. The door has been opened for real constructive work in the further development of an informed and intelligent public opinion on financial matters and a better and more widespread understanding of the necessity and value of the services rendered by investment bankers. Such work will help to make fraudulent financing difficult and to promote public interest and confidence in sound securities. I believe we should avail ourselves of this opportunity for service and endeavor to establish broader and more intimate contacts with the public through conservative, carefully planned methods of publicity."

Howard F. Beebe, of Harris, Forbes & Co., the retiring president, dwelt on the changes in financial conditions since the last convention, a year ago. Mr. Beebe said:

"One of the most satisfactory changes which has occurred in the last twelve months has been the reduced cost of loans for the financing of necessary activities throughout our country. The fact that funds may again be had at reasonable terms on good security has played a most important part in re-establishing normal conditions."

Speaking of the great amount of state and municipal financing that has been done in the past year, Mr. Beebe said:

"The financing of state and municipal work has not had the same difficult problems presented by conditions surrounding industrial and public utility enterprises, with the result that work in those fields has proceeded at a rapid pace. In fact, decided tendencies toward extravagance are apparent in some sections of the country and all our influences should be used to discourage unwise expenditures. The financing of public work through "special fund" and special limited tax issues is in my opinion a serious menace, for under the belief that property will not be generally taxed authority is given by the voters for expenditures of money in amounts and ways which would not be countenanced if under any circumstances it were possible to tax property therefor in the usual way. The failure to meet these obligations, however, by the state or municipality would have serious consequences to general credit, and I believe that if the taxpayers are unwilling to stand squarely back of public works by submitting themselves to the possibility of taxation, they should not authorize such ventures in the public name."

A CARDINAL INVESTMENT PRINCIPLE

(*Continued from page* 41)

ly, and money rates—the controlling factor in bond prices—will decline as well. In a boom period, therefore, wise investors "go long of money," that is, sell their securities and bank their cash (or else put the cash in short-term notes, which will be redeemed before the next upturn cycle commences).

Going at it from the opposite angle, the period of apathy which will follow general weakness *is* the time to buy long-term bonds. Money is the first commodity to respond to an economic trend; bonds are the first security to reflect the trend in money; hence, when money becomes in growing supply, bonds will reflect that situation, and will be the first security group to start upward after a period of depression.

Other Securities

But bonds, you say, are not the only security in the world; what about the others?

"The others" are equally consistent in their movements. But because they are more akin to one another than any one of them is akin to bonds, the movements are not, perhaps, so clean-cut. However, they do, as said, follow a generally consistent trend, and that is as follows: Following bonds, the money supply will well over into preferred stocks, the next highest-grade form of security. Thereafter, it will flow into high-grade common stocks. The end of the movement—almost an infallible warning for investors will occur when money begins to

flow into ultra-speculative issues — the cats and dogs of the stock market, as they are sometimes called. When investors observe this last development, they can afford to stop and think whether the next phase of the economic cycle is not about due.

(More in relation to economic trends and their significance to the investor will appear in chapters to be published in later issues.)

FRENCH FINANCE—COSTLY BORROWING

YESTERDAY the Paris cheque rate touched 61.70, which is close up to the highest point of last year, and much ingenuity has been expended in discovering reasons for the excessive depreciation of the franc. The simple explanation is that French holders of francs, as in the case of German holders of marks, are becoming increasingly nervous as to the trend of national finance and, anticipating the value of the franc will decline further, are selling currency and investing the proceeds in real estate and securities.

There is, unfortunately, good reason for these apprehensions. The national debt exceeds 340 milliards and the short-term debt 114½ milliards—a dangerous proportion of floating to fixed obligations. Moreover, the floating debt continues to grow rapidly and there is no sign of the process being arrested in the measurable future. During the current year, investors have shown an increasing disinclination to subscribe to National Defense bonds, the total of which in the first eight months of 1922 amounted to only 4,517,700,000 fcs., whereas in the previous year they averaged 1,400 millions a month.

The Government has consequently been driven to the expedient of borrowing in the form of 6 per cent Treasury bonds, which were placed "on tap" on October 9 at 99.50 per cent, and are repayable at par in three years or at a premium in five years. Allowing for commissions, the cost to the Government is not less than 6¾%, and, as subscriptions are being received in National Defence bonds at par, although these are standing at a discount in the market, the actual rate paid will probably be a good deal higher.

Meanwhile revenue from taxation is not coming in well, the deficit as compared with the Budget estimate amounting to 913,337,900 fcs. in the first nine months of the current financial year. Trade, moreover, can hardly be described as healthy, the increase in imports during the nine months to the end of September amounting to 900 millions, as against an increase in exports of only 608 millions.

So far as the extraordinary Budget is concerned the expenses for reconstructing the devasted areas in the coming year are estimated at 10,148 millions, which is to be added to the total ultimately "recoverable" from Germany. With every fresh slump in the mark the chance of receiving even a modest proportion of the sum due in reparations steadily di-

minishes, and at the coming Brussels Conference this situation will have to be frankly faced. An increase in the income tax and a drastic reduction of Government expenditure will then be seen to be necessary if the national credit is to be restored and the "flight from the franc" arrested.—From *The Financier,* October 24, 1922.

LIVERMORE'S METHODS ANALYZED

(*Continued from page* 60)

successful operator, turn them inside out, and you will learn why the public in general is unsuccessful. The public will usually take three points profit and stand for a ten-point loss. Livermore takes a three-point loss and plays for a ten-point profit. A loss of three or four points to him means danger. To the public it usually means a healthy reaction—nothing to be alarmed at. The public regards a ten-point profit as something seldom attained because unsophisticated traders, if they buy a stock right, have not the patience to hold on that long. To Livermore a ten-point profit is confirmation of the fact that his judgment in the first instance was correct and that the stock is now beginning to move his way.

One of the simplest rules and at the same time one of the hardest to learn, is this practice of cutting losses short. If everyone who trades in stocks would systematically close out his losing trades once a day, once a week, or once a month, or at a time when a certain number of points loss are indicated, the way would be paved to his success in trading, provided he has the patience to hold on for a substantial profit when a stock does go his way.

These two rules are probably the most important keys to the success not only of Mr. Livermore, but of every other big operator whose dealings have attained the spectacular. There is, however, another rule which is closely related to the question of cutting losses. It will be explained in the next article of this series.

(*To be continued in an early issue*)

ANSWERS TO INQUIRIES

(*Continued from page* 67)

must be regarded as highly speculative because it is almost impossible at the present time to determine how valuable its South American concessions are or how vigorously they will be developed by the Texas Company.

Texas Company is now looking into the possibilities of the South American holdings of the company and whether or not it will exercise its option depends on the report of the engineers as to the possibilities of these properties.

SUGAR PREFERRED STOCKS

Two That Are Still Attractive

Do you still consider South Porto Rico preferred and Manati Sugar preferred stocks as good specvestments to include in a business man's holdings? Would you advise switch into anything else? I would greatly appreciate this information from you.—R. H. P., Rochester, N. H.

We still consider South Porto Rico Sugar 7% Pfd. and Manati Sugar 7% Pfd. stocks as good specvestments to be included in a business man's holdings. Of course, a large percentage of funds should not be put into either issue, as there is a slight element of doubt as to the safety of the dividends. We feel, however, that both companies can continue to pay the preferred dividends, and that their stocks have an excellent chance of showing material appreciation in value if held for a year or two. Would not favor switching into anything else just now.

GOODYEAR DEBENTURE 8s

Should Hold

Will you please advise if the earnings of the Goodyear Rubber Co. amply cover interest on the debenture 8s of 1931 and your opinion of these bonds.—H. J., Philadelphia, Pa.

For the six months ended June 30, 1922, the Goodyear Rubber & Tire Co. showed earnings sufficient to cover all interest and other charges as well as $6.40 on the cumulative prior preferred stock. We regard the 8% debentures a good business man's investment and, in our judgment, you need have no uneasiness about holding them.

ALLIS-CHALMERS

Dividend Outlook

I hold 50 shares each of Allis-Chalmers common and preferred stock and have been very much disappointed at the market action of these stocks in the past month. I noted the remarks in "The Outlook" in the Oct. 14 issue of your magazine to sell out common stocks but decided to keep the Allis-Chalmers for investment. How do you regard the outlook for a continuance of dividends on the common?—S. A. R., Washington, D. C.

Allis-Chalmers statement for the quarter ended June 30, 1922, showed only 4 cents a share earned on the common stock and was poorer than generally expected. However, the earnings of the company show a decided upward tendency as net available for dividends in June was $126,491, as compared with $87,757 in May and $85,547 in April. Unfilled orders as of June 30, 1922, was over 9 millions, as against 8 millions March 31. Nature of the company's business is such that increase in booking is not immediately followed by an increase in earnings for the reason that many orders are for special machinery on which plans have to be drawn up and considerable time therefore must elapse before profits are reflected in the reports of the company. For the first six months of the current year, the company had to dip into surplus to the extent of half a million to pay the common dividend. With earnings increasing there would appear to be a fair chance of the dividend being maintained as the company is in unusually strong financial position, current assets exceeding current liabilities in the ratio of 7 to 1. The company has cash, Government securities and high-grade bonds on hand in excess of 9 millions. As the $4 dividend rate probably will not be fully cov-

ered this year, however, directors may take adverse dividend action as their policy has always been a very conservative one. The common stock at the present time, therefore, must be regarded as in an uncertain position. The preferred stock we regard as a sound investment as the company has no funded debt and working capital alone is equal to $142 a share.

JACOB DOLD PACKING CO. 6s

Better Issues Elsewhere

Would you advise the purchase of Jacob Dold Packing Co. 6% bonds for the investment of surplus funds at the present time? Are they well secured?—F.K.V., Cleveland, O.

Jacob Dold Packing Co. $5,000,000 1st mortgage 6% bonds, due 1942, are secured by a first closed mortgage on all the plants and other property of the company and are the company's only bonded debt. In addition, they are secured by deposit of 99% of the common stocks of its subsidiaries, whose properties are without bonded debt. Fixed assets of the company have recently been appraised by independent engineers at $6,900,000. Net current assets of the company after giving effect to this financing are stated at $5,932,340. The company conducts a meat-packing business and has been established for fifty years. Earnings for the past seven years have averaged over three times interest requirements on these bonds. In 1921, the company operated at a loss but earnings this year are estimated at about twice interest requirements. While the bond appears to be well secured we do not advise its purchase on a 6% basis as in our opinion small industrial bond issues such as this will sell on a higher yield basis than 6% within the next six or twelve months. Computing-Tabulating-Recording 6s, due 1941, selling on the New York Stock Exchange at 97 to yield 6.25%, is a more attractive issue in our opinion.

DIAMOND MATCH

Good Financial Condition

Please let me have a report on Diamond Match Co. I hold some of the stock.—P. D. H., Washington, D. C.

The Diamond Match Co. has outstanding a funded debt of $6,953,659, including purchase-money obligations. Authorized capital stock is $18,000,000 of which $16,965,100 is outstanding. It is now proposed to increase capitalization to a total authorized of $25,000,000. Doubtless, some of the new stock will be used for the purpose of redeeming the 7½% debenture bonds outstanding.

The company is well managed and is in good financial condition, working capital as of June 30, 1922, amounting to about $14,000,000. Earnings for the first six months of the current year were equivalent to $5.61 per share on the stock as against $9.85 earned for the entire year of 1921. The only matter of concern in connection with the business is the fact that production capacity is double the demand. Another reason why we advocate disposing of the stock at this time is that, in our judgment, the trend of the market is down, and a sale at present levels will result in opportunity to replace holdings to better advantage later, if desired.

TENNESSEE COPPER

Outlook Seems Favorable

Will you kindly give me your opinion regarding Tennessee Copper at the present time? —L. W. Exton, Pa.

We are inclined to consider favorably Tennessee Copper & Chemical stock as a long-pull speculation, but a great deal of patience will probably have to be exercised by the holder of these shares. The company is interested in both copper and fertilizer industries both of which have labored under adverse conditions for several years. However, its main interest is now in fertilizer and allied sulphuric acid trade and, in our judgment, it should make rather rapid progress therein. The high price of cotton should cause a large demand for fertilizer materials in the South this Spring and add to the prospect of profitable operations. However, as previously stated, the stock is very inactive in its movements and it will possibly be a long while before the holder will see any considerable profit in the commitment.

HAS $10,000 FOR BONDS

Five Issues Suggested

I have $10,000 which I would like to invest in several bonds. In looking over the list I have only decided on one, and that is, Southern Railway 6½ due 1956. Would like your opinion on this and a few additional suggestions.—A. T., Bronx, N. Y.

We regard Southern Rwy. General Mortgage 6½s of 1956 a good business man's bond and would also recommend the following for your investment fund of $10,000:

	Price
$2,000 Chicago & Eastern Illinois Gen. 5s, 1951	83
2,000 St. Louis & San Francisco prior lien 4s, 1950	74
2,000 South Porto Rico Sugar Co. 1st mtge. 7s, 1941	100
2,000 Hudson & Manhattan Rfd. 5s, 1957	85
2,000 Sinclair Consolidated 1st lien and Collateral 7s, 1947	101

MEXICAN PETROLEUM

Advise Taking Profits

In my previous inquiry I marked Mexican Petroleum as held on margin but did not mention that the margin now was nearly 90% of the cost. Why is it not advisable even at the present time to exchange the Mexican Petroleum for Pan-American Petroleum B stock and hold? The immediately prospective dividend would be $25 a share per year for each share of Mexican Petroleum now held. My previous experience with inquiry departments is that they advise taking a profit when there is one and hanging on till a loss is avoided. You advised my selling, Nov. 2, 1922, and I would like you to more fully explain your reasons.—R. A., Albany, N. Y.

Our answer to your previous letter may have seemed somewhat incomplete as we did not go very fully into detail. However, our recommendations were based on a very careful study of the situation and should not be considered in any way as a snap judgment. We advised the sale of Mexican Petroleum rather than holding it or converting it

(*Please turn to page 93*)

Intimate Talks With Readers

How Important Developments Affect Technical Position

IN the past month we have had an opportunity to watch the effect of a really important development—major adverse news—on a major bull market. In this case, we have a world-wide disturbance, the remote possibility of another world war. Should that not "finish" a bull market?

In dealing with this very interesting and vital subject, let this writer state that these columns are written without reference to the positive market advices given elsewhere in the Magazine; and "Intimate Talks" are for guidance or reference, and not for immediate action. For the latter, better follow the definite advices, or check up by letter.

Generally speaking, as formerly explained, the market does its best to anticipate (discount) events months ahead. There is always the possibility of the "bolt from the blue," for example, the Turks going crazy overnight and overrunning Europe, or the Bolshevists demanding the capitulation of Petrograd! Naturally, the public becomes uneasy and sometimes seriously alarmed. Its tendency to act on primitive instincts of preservation is to run—that is to say, sell out.

The writer will say here that if a market is so "fixed" that its character is definitely a bull market, it must run its course to the end of *its own* allotted time; this time is not, so far as any man can prove, predetermined by "insiders." It takes a relatively long time for big interests to array themselves on the buying or selling side, and once they are aligned on one side of the fence or the other, they are slow to move "permanently."

This is probably the reason or partly the reason for the following peculiar characteristic of news and developments which arrive "out of a blue sky."

1. In a bull market—once the market shows definitely that it is in an upward cycle—*the market accepts adverse news with the very greatest reluctance, and looks for longer range neutral, or perhaps favorable business consequences.*

2. In a bull market—all obviously good news (constructive developments) *is eagerly welcomed, and usually given a rousing welcome, often to a more enthusiastic extent than the occasion warrants.*

3. In a bear market—*the sentiment being gloomy, minor favorable developments will rally but not turn the market. Important major adverse news would invariably cause "a big break" in such a market.*

In short, in a bull market, the tendency of the human being towards optimism, and a mind that always looks for pleasant things, all things bullish are received with euthusiasm; small things are made much of; the least constructive development stimulates our bump of inquisitiveness, *and we buy!*

The technical position is a crystallization of all the circumstances: the market position and sentiment of big interests; their known slowness to reverse their opinions and beliefs; the enormous money behind those beliefs; the readiness of the great public to be led; and largely the position of stocks in general—whether in so called strong or weak hands.

Aside from the ordinary operation of a group buying or marketing a large block of stock or bonds, when these are usually "underwritten" by a syndicate, and a manager given authority to direct market operations, do the big interests just go into the market and buy so many shares of this or that "at the market?" Usually they do not. The machinery of distributing the work among brokers is complicated and varies with the individual interest. Doubtless E. H. Harriman, William Rockefeller, or Daniel G. Reid we will say, all had their methods in which the main purpose "Buy Low and Sell High" predominates. Sometimes it was "Buy low; mark down the cost, and keep." In the main, however, it has hardly been possible to just go into the market and buy a couple of hundred thousand shares, mark them up and take profits. The big interests do not usually buy and sell. They first accumulate and afterwards distribute. "Afterwards" may take months, years, or a generation. Perhaps John D. Rockefeller, Sr., has never sold out his original holdings in the parent Standard Oil. But assuming the operation to be for substantial profits, accumulation and distribution "goes." The big investor or operator may call it that but his brokers would not think of openly arraying themselves on one side or the other, and the subbrokers employed by the former are not usually allowed to know what is happening. They often guess right though! Among the brokers, they will report each day, "I bought so many shares of What's This on balance Today," or "I sold so many on balance." Their orders being to buy and sell at the same time, it takes the keenest sort of professional mind and research to get an inkling of what is going on.

In a way, this also is a guide to the market, and the technical position follows. Big interests cannot just sell out or say to their brokers "Sell us 100,000 Canadian Pacific, 100,000 Steel, and 50,000 Reading at the market"—just like that! It cannot be done, and is not done that way. But, when the sentiment that counts feels that way about it, it will try to lighten its burden so to speak, by selling a little on balance whenever the market gets strong, and the interest in the market is big enough and broad enough to take "balance offerings" without detection.

In the same way, the great accumulations at the beginning or start of bull markets happen in about the same way. The brokers for the bullish interests aim to buy as they can "on balance" if possible a little each day. They do not always bid aggressively for stock — it pays to take offerings.

(Continued from page 91)

into Pan American class B stock, for the reason that Pan American B stock is a highly speculative security. Many experts on oil conditions in Mexico are of the opinion that production in another year's time will fall of greatly and that a large part of the millions Mexican Petroleum and Pan American Petroleum have spent in that country on pipe-lines, storage tanks and other facilities may never be recovered. As important a publication as *The Lamp*, published by the Standard Oil Co. of New Jersey, takes this view of investments made in the Mexican oil field. Our policy is not to advise clients to sell simply because they have a profit, as a matter of fact, it is just the opposite; in a good bull market, we advise holding for the long swings and not being satisfied with small profits. About the middle of October we became decidedly bearish on the present market and advised the selling of all common stocks, both good and bad, as we felt the opportunity would readily be presented to get in much lower down. These are the reasons behind our advice to sell out your Mexican Petroleum stock. We still feel the same way about it, although, of course, at the present time, you cannot get out to quite as good advantage as if you would, had you followed our advice at once.

POSITION OF THE MARKET

Should Take Advantage of Rallies to Sell Stocks

I have a line of more or less speculative securities which I will not bother you with to pass on individually. What I want to know is whether we have seen the high prices for this year and what is the best policy to adopt toward speculative stocks.—A. C., Ithaca, N. Y.

In our opinion, we have seen the highs of the year so far as stocks are concerned and the trend will now be the reverse of the past for some time to come although there will of course be sharp bulges when the technical position becomes strong. We have recently seen considerable depression in prices from which there has been a fairly good recovery. We recommend that on this bulge you take advantage of the opportunity to dispose of the stocks you have on hand, as it is our opinion that sales at that time will result in opportunity to replace purchases, if desired, to better advantage later. Believe the best policy to pursue under present conditions would be to have your funds in liquid shape to take advantage of whatever bargains may present themselves later.

WEBER & HEILBRONER

Earning Its Dividend

Some time ago you spoke of Weber & Heilbroner as an attractive low-priced dividend payer. As it is lower now I would like to know whether you still consider it attractive. How are earnings?—B. W., St. Louis, Mo.

The decline in Weber & Heilbroner shares has doubtless been due to the general depression. So far as earnings are concerned, Weber & Heilbroner are doing as well as last year. For the six months ended August 31st, 1922, net earnings were $140,671 after depreciation but before taxes. As the business in this line is generally better during the

latter half of the year, the company will doubtless show dividend requirements of $1 a share on the 177,000 shares of common stock outstanding earned for the full year with a fair margin to spare. However, the shares are, of course, speculative.

UNITED DRUG

Has Discounted Dividend

I am holding 200 shares of United Drug at an average price of about 68. I believe that United Drug is close to a dividend and that the stock will go on appreciating in value. Am I right?—C. S. D., Mount Holly, N. J.

It is our recommendation that you accept your profits on your United Drug stock. Even if the shares were placed on a dividend basis, the present price has probably more than discounted the benefits to be derived from such action and it it our judgment that the shares will ultimately sell at lower prices than now ruling. In the six months ended June 30, 1922, only $1.18 was earned on the stock.

PRESSED STEEL CAR

Dividend Payments Close

In the past you have favorably commented on Pressed Steel Car. In view of the fact that no dividends were declared on the common in October when the preferred dividend was declared do you still feel as optimistic about it as you did? I hold several shares of the common.—M. H., East Walpole, Mass.

We regard the outlook of Pressed Steel Car Co. favorably in view of the big demand for equipment at the present time. We feel that dividends are quite close on the common stock. The reaction in this stock, we should say, has simply been in sympathy with the general market. In the October 14th issues of THE MAGAZINE OF WALL STREET, under the OUTLOOK, subscribers were instructed to sell out all their common stock as the action of the market indicated a very important reaction. Had you followed this advice, you could have sold out to good advantage and repurchased on the decline. We feel that the long-pull possibilities of the stock are good, but we are not satisfied with the action of the stock market and look for still lower prices all around. It might, therefore, be advisable for you to sell out on the present rally with the idea of picking it up on a substantial recession.

PITTSBURGH COAL

Good for the Long Pull

Kindly advise me concerning the advisability of buying Pittsburgh Coal at present price. This stock has been recommended to me as an excellent long pull speculation.—S. W. E., Princeton, N. J.

We are also of the opinion that Pittsburgh Coal is an excellent long-pull speculation. In view of the fact, however, that it is not paying dividends at the present time and that the action of the stock market indicates lower prices for stocks, we would not favor purchasing it at the moment, as we believe that by having a little patience you will be able to acquire this stock at lower figures.